OFFICIAL STATEMENT DATED JUNE 28, 2007

NEW ISSUE **BOOK-ENTRY ONLY**

S&P: AAA (See "RATINGS" herein)

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations and certifications made by the City and the Corporation described herein, interest on the Series 2007 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2007 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel is further of the opinion that, under existing law and assuming that interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, interest on the Series 2007 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from Missouri taxable income for the purposes of the personal income tax and corporate income tax imposed by the State of Missouri. See "TAX MATTERS" herein regarding certain other tax considerations.

$51,965,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
Recreation Sales Tax Leasehold Revenue Bonds,
Series 2007 (City of St. Louis, Missouri, Lessee)

Dated: Date of Delivery **Due: February 15, as shown on the inside cover**

The St. Louis Municipal Finance Corporation Recreation Sales Tax Leasehold Revenue Bonds, Series 2007 (City of St. Louis, Missouri, Lessee) (the **"Series 2007 Bonds"**), are being issued by the St. Louis Municipal Finance Corporation (the **"Corporation"**), a nonprofit corporation organized and existing under the laws of the State of Missouri (the **"State"**). The Series 2007 Bonds will be issued under and secured by an Indenture of Trust dated as of July 1, 2007 (the **"Indenture"**), by and between the Corporation and UMB Bank, N.A., Kansas City, Missouri, as trustee (the **"Trustee"**). The proceeds of the Series 2007 Bonds will be used (i) to pay the costs of constructing two new recreational center facilities in the City of St. Louis, Missouri (the **"City"**), and renovating several existing recreational facilities, all as described herein; (ii) to provide for a debt service reserve fund and/or credit enhancement for the Series 2007 Bonds; and (iii) to pay certain costs of issuance of the Series 2007 Bonds.

The Series 2007 Bonds and the interest thereon shall be special obligations of the Corporation payable solely out of the Rentals and Additional Rentals derived by the Corporation pursuant to the Lease (all as herein described), and are secured by a pledge and assignment of the Trust Estate (as herein described) to the Trustee pursuant to the Indenture. No incorporator, member, agent, employee, director or officer of the Corporation or the City, shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease for anything done or omitted to be done by the Corporation thereunder. The Series 2007 Bonds and interest thereon shall not be a debt of the City, the State, or any instrumentality thereof, and none of the City, the State, or any instrumentality thereof shall be liable thereon, and the Series 2007 Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Series 2007 Bonds are further secured by a Leasehold Deed of Trust (as herein described), the lien of which shall encumber the Corporation's leasehold interest in the Property (as herein described). The obligation of the City to make payments of Rent and Additional Rent is subject to annual appropriation by the St. Louis Board of Aldermen. While the City imposes a Recreation Sales Tax which may be appropriated to pay such payments of Rent and Additional Rent, such tax is not subject to a pledge for that purpose, and the City has no obligation to appropriate any portion of the receipts from such tax to make such payments of Rent and Additional Rent. See **"RECREATION SALES TAX"** herein. The Corporation has no taxing power. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS"** herein.

The Series 2007 Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., or such other name (either, the **"Nominee"**) as may be requested by an authorized representative of The Depository Trust Company (**"DTC"**), New York, New York, as registered owner and nominee for DTC. Purchases of the Series 2007 Bonds will be made in book-entry form in denominations of $5,000 or any integral multiple of $5,000 in excess thereof (**"Authorized Denominations"**). Purchasers will not receive certificates representing their interests in the Series 2007 Bonds purchased. So long as the Nominee is the registered owner of the Series 2007 Bonds, references herein to the Bondholders or registered owners shall mean the Nominee, as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Series 2007 Bonds. Principal of the Series 2007 Bonds will be payable as set forth on the inside front cover of this Official Statement. The Series 2007 Bonds will bear interest from their dated date, payable beginning February 15, 2008, and semiannually thereafter on February 15 and August 15 of each year. Payments of principal of, premium, if any, and interest on the Series 2007 Bonds will be made by the Trustee to the Nominee, for disbursement to the DTC Participants (as herein defined) for subsequent disbursement to the Beneficial Owners of the Series 2007 Bonds. The Series 2007 Bonds are subject to optional and extraordinary redemption prior to maturity as more fully described herein.

Payment, when due, of the principal of and interest on the Series 2007 Bonds will be guaranteed by a policy of financial guaranty insurance to be issued concurrently with the issuance of the Series 2007 Bonds by Ambac Assurance Corporation (the **"Credit Provider"**). See **"AMBAC ASSURANCE CORPORATION"** and **"BOND INSURANCE"** herein.

Ambac

This cover page contains information for reference only. It is not a complete summary of the Series 2007 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, interest rates, prices, yields, and CUSIP numbers.

The Series 2007 Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to prior placement, withdrawal or modification of the offer without notice, and subject to the approval of the validity of the Series 2007 Bonds by Armstrong Teasdale LLP and Saulsberry & Associates, LLC, Co-Bond Counsel, and certain other conditions referred to herein. Certain legal matters will be passed upon for the Corporation and the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, The Stolar Partnership LLP and Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC. It is expected that the Series 2007 Bonds will be available for delivery to DTC, in New York, New York on or about July 12, 2007.

Bear, Stearns & Co. Inc. **Banc of America Securities LLC**

Backstrom McCarley Berry & Co., LLC **Jackson Securities** **Rice Financial Products Company**

The date of this Official Statement is June 28, 2007.

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MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

$51,965,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
Recreation Sales Tax Leasehold Revenue Bonds, Series 2007
(City of St. Louis, Missouri, Lessee)
Base CUSIP: 79165N

SERIES 2007 BONDS
SERIAL BONDS

MATURITY	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE	CUSIP
2/15/2008	1,665,000	4.500%	3.750%	100.431	79165NAA2
2/15/2009	875,000	4.000%	3.830%	100.257	79165NAB0
2/15/2010	910,000	4.000%	3.900%	100.241	79165NAC8
2/15/2011	950,000	4.000%	3.950%	100.162	79165NAD6
2/15/2012	985,000	4.000%	4.000%	100.000	79165NAE4
2/15/2013	1,025,000	4.000%	4.050%	99.749	79165NAF1
2/15/2014	1,065,000	4.000%	4.100%	99.424	79165NAG9
2/15/2015	1,110,000	4.100%	4.150%	99.674	79165NAH7
2/15/2016	1,155,000	4.125%	4.200%	99.460	79165NAJ3
2/15/2017	1,185,000	4.250%	4.300%	99.606	79165NAK0
2/15/2018	1,280,000	4.250%	4.350%	99.155	79165NAL8
2/15/2019	1,335,000	5.000%	4.390%	104.729 *	79165NAM6
2/15/2020	1,380,000	4.250%	4.430%	98.273	79165NAN4
2/15/2021	1,460,000	4.400%	4.500%	98.987	79165NAP9
2/15/2022	1,525,000	5.000%	4.520%	103.698 *	79165NAQ7
2/15/2023	1,600,000	5.000%	4.550%	103.462 *	79165NAR5
2/15/2024	1,680,000	5.000%	4.580%	103.226 *	79165NAS3

SERIES 2007 BONDS
TERM BONDS

$7,555,000 4.500% Term Bond due February 15, 2028 Yield 4.710% CUSIP 79165NAT1
$9,075,000 5.000% Term Bond due February 15, 2032 Yield 4.680%* CUSIP 79165NAU8
$14,150,000 5.000% Term Bond due February 15, 2037 Yield 4.720%* CUSIP 79165NAV6

*Priced to the first call date of February 15, 2017

This Official Statement is provided in connection with the initial offering and sale of the Series 2007 Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Corporation or the City, the Credit Provider (as hereinafter defined) and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Corporation or the City, the Credit Provider or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2007 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

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

The Series 2007 Bonds have not been registered with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the exemption contained in Section 3(a)(2) of such act. The Indenture has not been qualified under the Trust Indenture Act of 1939, in reliance upon an exemption contained in such act. The registration or qualification of the Series 2007 Bonds in accordance with applicable provisions of securities laws of any states in which the Series 2007 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 2007 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Other than with respect to information concerning the Credit Provider contained in "BOND INSURANCE" and APPENDIX F - "Form of Bond Insurance Policy," none of the information in this Official Statement has been supplied or verified by the Credit Provider and the Credit Provider makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2007 Bonds; or (iii) the tax-exempt status of the interest on the Series 2007 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

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

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

THE CITY OF ST. LOUIS
ELECTED OFFICIALS

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

BOARD OF ALDERMEN

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

ST. LOUIS MUNICIPAL FINANCE CORPORATION

BOARD OF DIRECTORS

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

OTHER CITY OFFICIALS

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

BOARD OF ESTIMATE AND APPORTIONMENT

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

FINANCIAL ADVISOR

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

INVESTMENT ADVISOR

Columbia Capital Management LLC
Overland Park, Kansas

TABLE OF CONTENTS

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OFFICIAL STATEMENT

Relating to
$51,965,000
St. Louis Municipal Finance Corporation
Recreation Sales Tax Leasehold Revenue Bonds, Series 2007
(City of St. Louis, Missouri, Lessee)

INTRODUCTION

The information in this section is furnished solely to provide limited introductory information regarding the terms of St. Louis Municipal Finance Corporation's Recreation Sales Tax Leasehold Revenue Bonds, Series 2007 (City of St. Louis, Missouri, Lessee) (the **"Series 2007 Bonds"**) and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the cover page and the Appendices hereto. The order and placement of materials in this Official Statement, including the information on the cover page and the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. Capitalized terms used and not defined herein are defined under the section **"DEFINITIONS OF WORDS AND TERMS"** set forth in **Appendix C** to this Official Statement.

The Issuer

The issuer of the Series 2007 Bonds is the St. Louis Municipal Finance Corporation, a nonprofit corporation duly organized and existing under Chapter 355 RSMo., the Missouri Nonprofit Corporation Act, as amended to date (the **"Corporation"**). See **"ST. LOUIS MUNICIPAL FINANCE CORPORATION"** herein.

Authorization for the Series 2007 Bonds

The Series 2007 Bonds are issued under the authority of the constitution and laws of the State of Missouri (the **"State"**), including 100.155 RSMo., Ordinance No. 67495, adopted by the Board of Aldermen of the City of St. Louis, Missouri (the **"City"**) on May 24, 2007, and approved by the Mayor on May 31, 2007 (the **"Ordinance"**), and a resolution of the Board of Directors of the Corporation adopted on June 25, 2007 (the **"Resolution"**). The Series 2007 Bonds are issued under and secured by an Indenture of Trust, dated as of July 1, 2007 (the **"Indenture"**), by and between the Corporation and UMB Bank, N.A., Kansas City, Missouri, as trustee (the **"Trustee"**). The Series 2007 Bonds, and any bond or bonds, including **"Additional Bonds"** (as defined in the Indenture), that may be authenticated and delivered under the Indenture are referred to herein from time to time as **"Bond"** or **"Bonds."**

Purposes of the Series 2007 Bonds

The proceeds of the Series 2007 Bonds will be used: (i) to pay the costs of designing and constructing two new recreational center facilities (see **"THE FACILITIES"** herein) in the City and renovating several existing recreational facilities, all as described herein (see **"THE PROJECT"** herein); (ii) to provide for a debt service reserve fund and/or credit enhancement for the Series 2007 Bonds; and (iii) to pay certain costs of issuance of the Series 2007 Bonds.

Security and Sources of Payment for the Series 2007 Bonds

The Series 2007 Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals and Additional Rentals derived by the Corporation from the leasing of the Property to the City pursuant to the Lease (as herein described), and are secured by a pledge and assignment of the Trust Estate pursuant to the Indenture. The Series 2007 Bonds are further secured by a Leasehold Deed of Trust, the lien of which shall encumber the Corporation's leasehold interest in the Property (as herein described). For additional information on the security and sources of payment for the Series 2007 Bonds, see **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS"** herein.

Bond Insurance

Ambac Assurance Corporation (the **"Credit Provider"**) has committed to issue, effective as of the date on which the Series 2007 Bonds are delivered, a Bond Insurance Policy (the **"Bond Insurance Policy"),** which policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 2007 Bonds which has become due for payment, but remains unpaid by reason of nonpayment by the Corporation. The Bond Insurance Policy extends for the term of the Series 2007 Bonds and cannot be cancelled by the Credit Provider. See **"BOND INSURANCE"** herein and the specimen Bond Insurance Policy included in **Appendix F** to this Official Statement.

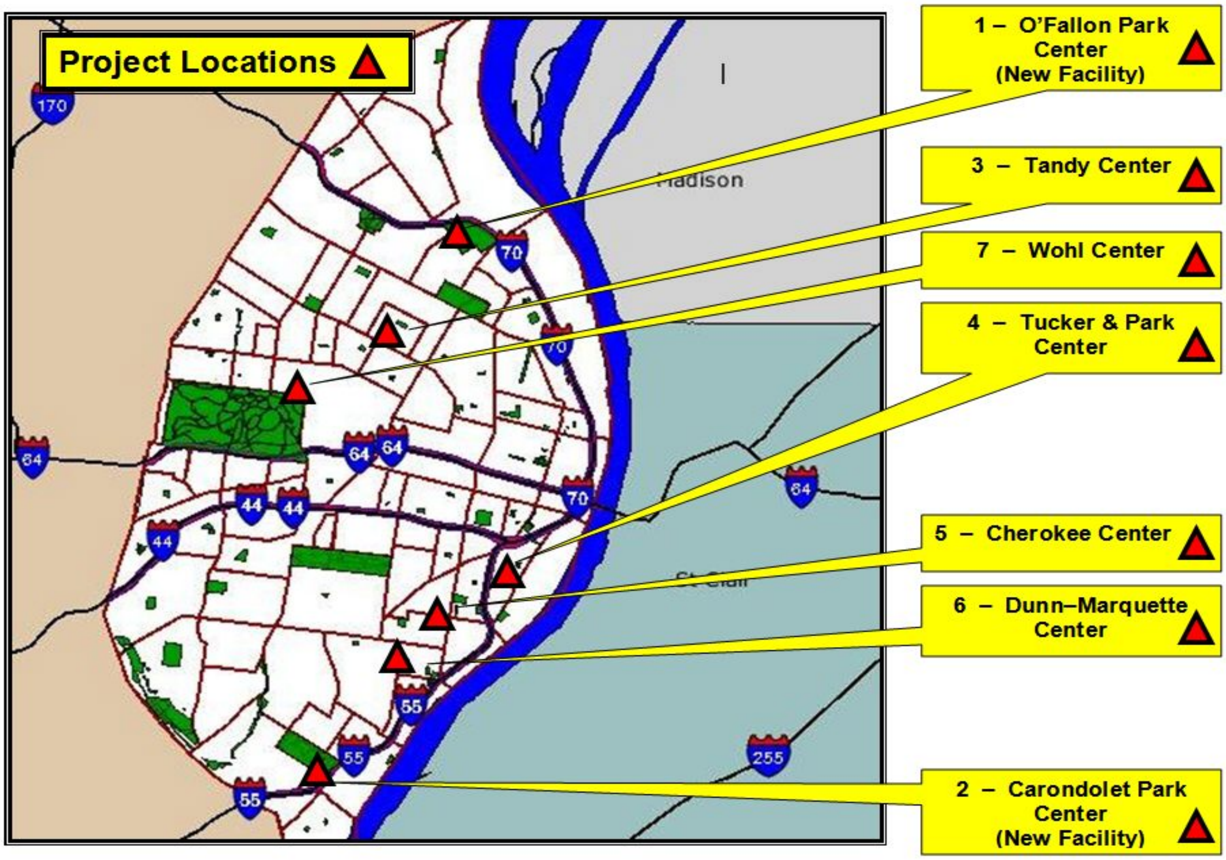
Definitions and Summaries of Certain Legal Documents

Capitalized terms used and not defined herein are defined in the Definition of Words and Terms included in **Appendix C** to this Official Statement. Summaries of the Indenture, the Lease, the Trust Estate and the Leasehold Deed of Trust and certain other matters are set forth in **Appendix D** to this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Base Lease, the Lease, the Tax Compliance Agreement and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents. Copies or the definitive form, as applicable, of such documents may be reviewed prior to delivery of the Series 2007 Bonds at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and following delivery of the Series 2007 Bonds at the office of the Trustee, UMB Bank, N.A., St. Louis, Missouri, 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.

THE PROJECT

Overview of Project

The Project consists of the design and construction of two (2) new recreation centers and the renovation of several existing recreation centers located within the areas of the City as shown on the following Project map, including the acquisition of personal property, and the construction, renovation, equipping, and installing of furnishings and equipment upon and for use in connection with such recreation centers, and any other municipal facilities which are to be acquired, renovated, or improved with proceeds of the Series 2007 Bonds.



New Facilities

The City plans to construct two new recreation centers (individually, a **"Facility"** and collectively, the **"Facilities"**) of equal quality, scope and program. One Facility will be located in Carondelet Park, in the southern part of the City, and the other will be located in O'Fallon Park, in the northern part of the City. Each Facility will contain approximately 70,000 square feet of space. Each Facility will be situated on approximately 10 acres of land. The buildings will be designed to achieve Leadership in Energy and Environmental Design (LEED™) Silver Certification. LEED™ is a national rating system for commercial building projects sponsored by the U.S. Green Building Council. Projects achieve LEED™ Certified rating levels based on the number of points achieved in five different areas: sustainable sites, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality.

Each Facility will be a two-story structure and will include indoor and outdoor swimming pools, a gymnasium, an indoor track, fitness and multipurpose areas and locker facilities. There will be designated areas provided for teens and seniors, and designated areas provided for arts and crafts and social services programs. Each Facility will also have a substation of the St. Louis Police Department. As part of the construction of each Facility, requisite site improvements will include access roads to and around the Facility from existing park roads, sidewalks, and the integration of parking lots into the existing park setting. Utilities for each Facility will be extended to each site from the closest available utility lines. Each Facility will be furnished with appropriate equipment, including furniture, fitness and gymnasium equipment and seating, at an estimated cost of $500,000 per Facility.

Construction of the Carondelet Park Facility is expected to begin in March 2008, and is anticipated to be completed by September 2009. Construction of the O'Fallon Park Facility is scheduled to begin in July 2008, and is anticipated to be completed by January 2010. The cost to complete each Facility is expected to be approximately $23,000,000.

Renovations

Five existing recreation centers in the City as shown on the Project map above, will be significantly upgraded and improved as follows:

Tandy Center (located at 4206 Kennerly Avenue, in the Ville neighborhood of North St. Louis): Renovation includes roof replacement, upgrades to the plumbing, heating, ventilating, air conditioning and fire alarm systems, renovation of the gymnasium and kitchen, installation of an elevator and other improvements and an over-all upgrade to ADA (Americans with Disabilities Act) standards. The estimated cost of this work is $1,785,000.

Tucker and Park Center (located at 1410 South Twelfth Street, in the area immediately south of the central downtown area): Renovation includes roof replacement, upgrades to the electrical, heating, ventilating and air conditioning systems, renovation of the gymnasium and kitchen, other interior improvements, reconstruction of the parking lot and an over-all upgrade to ADA (Americans with Disabilities Act) standards. The estimated cost of this work is $2,215,000.

Cherokee Center (located at 3200 South Jefferson, in the Benton Park neighborhood of South St. Louis): Renovation includes window replacement, upgrades to the electrical, heating, ventilating and air conditioning systems, new bleachers and other improvements in the gymnasium, other interior improvements and tuckpointing the exterior. The estimated cost of this work is $1,050,000.

Dunn-Marquette Center (located at 4025 Minnesota Avenue, in the Dutchtown neighborhood of South St. Louis): Renovation includes roof replacement, upgrades to the electrical, heating, ventilating and air conditioning systems, renovation of the kitchen, other interior improvements and repairs to the outdoor pool and an over-all upgrade to ADA (Americans with Disabilities Act) standards. The estimated cost of this work is $2,100,000.

Wohl Center (located at 1515 North Kingshighway Boulevard, in the Kingsway West neighborhood of the City): Renovation includes roof replacement, improvements and upgrades to the electrical, plumbing, heating, ventilating and air conditioning systems, new bleachers and flooring in the gymnasium, new windows, floors and front entrance, lighting for the pool, other interior improvements, exterior painting and an over-all upgrade to ADA (Americans with Disabilities Act) standards. The estimated cost of this work is $2,850,000.

This work will take approximately twenty-six months and all projects are expected to be completed by early summer, 2010.

Lease of the Property

Pursuant to a Base Lease, dated as of July 1, 2007 (the **"Base Lease"**), between the City and the Corporation, the City has conveyed to the Corporation a leasehold interest in and to certain real property together with the portion of the Project situated thereon. Such property as leased pursuant to the Base Lease from time to time is referred to herein as the **"Property."** Pursuant to a Lease Purchase Agreement, dated as of July 1, 2007 (the **"Lease"**), between the City and the Corporation, the Corporation has leased the Property back to the City. See **"SUMMARY OF THE LEASE AGREEMENT"** set forth in **Appendix D** hereto.

Proposition P

On April 3, 2007, the voters of the City approved Proposition P, an amendment to the City's Charter, which reads:

> Any real estate, now or hereafter owned by the City or any agency or instrumentality of the City, which is principally used for or held out for use as a public park, shall not be sold, leased, given away or otherwise disposed of, and shall be used only as a public park, nor shall any structure be built in any such park to accommodate activities not customarily associated with park use or outdoor recreation, unless such sale, lease, disposal, gift or structure is approved by a majority of the qualified electors voting thereon.

In the opinion of the City Counselor neither the Lease nor the construction of the new recreation centers are included in the actions which require voter approval under this proposition since the Facilities will be leased back by the City under the Lease, which is a financing instrument rather than a true lease falling within the plain meaning of the term "lease" as used in Proposition P, and the Facilities will be open to the public and available for swimming, basketball and other sporting and recreational activities of the type which are customarily associated with park use.

Management of the Facilities

The existing recreational centers have been and will continue to be managed by the City. The two new recreational Facilities will be operated by a management company (the **"Manager"**) pursuant to a Management Agreement between the Corporation and the Manager. The Manager will be selected on the basis of competitive bidding, taking into account the Manager's experience in operating similar facilities, financial strength and operating history and other factors which the Corporation deems to be important, as well as the economic terms of the Manager's proposal. The Management Agreement will conform in all respects, including length of term and compensation of the Manager, to the requirements of federal tax law as necessary to assure that the interest on the Bonds is excludable from gross income for federal income tax purposes.

RECREATION SALES TAX

Recreation Sales Tax Overview

Sections 644.032 and 644.033 RSMo. (the **"Recreation Sales Tax Act"**) authorized the City to levy a one-eighth cent sales tax for the purpose of providing for local parks, and funding for the construction and maintenance of new and existing recreation centers and recreation programs in parks on approval of the voters of the City of such tax. On November 7, 2006, the voters of the City approved the imposition and collection of a one-eighth of one percent (1/8%) tax (**"Recreation Sales Tax"**) on all retail sales made in the City which are subject to taxation under the provisions of Sections 144.010 to 144.525 RSMo (the **"Sales Tax Law"**) for the purpose of providing funding for local parks, including specifically, funding for the construction and maintenance of new and existing recreation centers and recreation programs in parks in the City, including but not limited to programs for children and seniors. Under the Recreation Sales Tax Act, the proceeds from the Recreation Sales Tax are required to be deposited in a segregated account. By Ordinance No. 67195, the Board of Aldermen of the City did establish a special segregated account known as the **"Local Park Fund"** to be funded from, among other sources, the Recreational Sales Tax, to be used solely for park improvement purposes. All expenditures of the Local Park Fund are subject to annual appropriation of the St. Louis Board of Aldermen. Pursuant to the Ordinance, the City has agreed that during each fiscal year or portion thereof in which the Series 2007 Bonds remain outstanding, the City will not use Recreation Sales Tax revenues deposited in the Local Park Fund in the then-current fiscal year for any purpose other than making payments of Rentals and Additional Rentals during such then-current fiscal year unless such rental payments have been provided for.

General Fund Retail Sales Tax

The following table shows the historic and projected retail sales tax collected for the City's General Fund under the provisions of the Sales Tax Law for each fiscal year of the City beginning in 2000, and the hypothetical (2000-2006) and projected (2007-2008) amounts of Recreation Sales Tax which would be collected at the rate of 1/8th of 1%.

	General Fund Retail Sales Tax		Hypothetical Recreation Sales Tax[2]
Fiscal Year	Rate[1]	Amount	Amount
2000	1.375%	$48,134,756	$4,375,887
2001	1.375%	$48,807,227	$4,437,021
2002	1.375%	$47,555,507	$4,323,228
2003	1.375%	$46,280,903	$4,207,355
2004	1.375%	$44,916,621	$4,083,329
2005	1.375%	$46,013,082	$4,183,007
2006	1.375%	$47,346,639	$4,304,240
2007 (projected)[3]	1.375%	$49,173,000	$4,470,273
2008 (projected)[3]	1.375%	$50,156,000	$4,559,636

[1]General Fund Retail Sales Tax portion only; excludes State of Missouri and dedicated fund portions.

[2]Amount that would have been collected at the rate of 1/8th of 1% of taxable retail sales during 2000-2006, and that are anticipated to be collected in 2007 and 2008 if the City's projected level of retail sales is achieved.

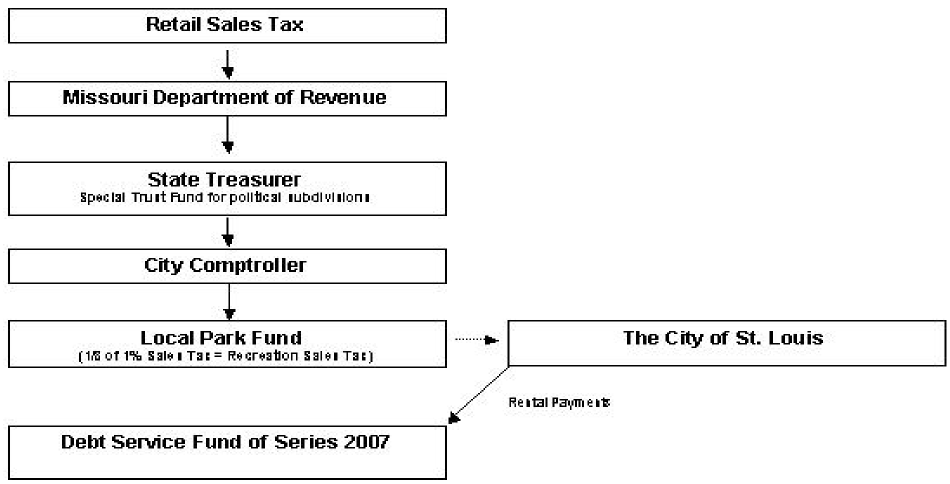
[3]Source: Office of the Comptroller, City of St. Louis, Missouri.

While there can be no assurance that the projected level of retail sales will be achieved, the amounts shown above are based on information and analysis which the Corporation and the City believe to be reasonable.

Appropriation

THE CITY CANNOT BE LEGALLY OBLIGATED TO APPROPRIATE FUNDS TO PAY RENTALS AND ADDITIONAL RENTALS UNDER THE LEASE AND THE RECREATION SALES TAX COLLECTIONS ARE NOT PLEDGED OR OTHERWISE COMMITTED TO PAY DEBT SERVICE ON THE SERIES 2007 BONDS. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS"** herein. The Recreation Sales Tax collections shall be expended only by appropriations by the City's Board of Aldermen. It is anticipated that the Board of Aldermen will appropriate each year, from the Local Park Fund, the amounts required to pay all Rentals and Additional

Rentals required by the Lease and pursuant to the Ordinance, the City has agreed that during each fiscal year or portion thereof in which the Series 2007 Bonds remain outstanding, the City will not use Recreation Sales Tax revenues deposited in the Local Park Fund in the then-current fiscal year for any purpose other than making payments of Rentals and Additional Rentals during such then-current fiscal year, unless such rental payments have been provided for. Any money remaining in the Local Park Fund after the payment or provision for payment of such rental payments may be used by the City for other recreational purposes, including funding recreational programs approved by the City. The following chart illustrates the flow of funds derived from the Recreation Sales Tax for the Series 2007 Bonds:



Taxable Sales and Exemptions Generally

The Recreation Sales Tax is imposed, administered, collected and distributed, along with other state and local sales taxes, pursuant to the provisions of the Sales Tax Law.

Collection, Distribution and Enforcement

Seller's Obligation to Report and Pay Sales Tax. Every retailer operating within the City is required to add the Recreation Sales Tax imposed to the retailer's sale price, such that the Recreation Sales Tax shall constitute a part of the price, shall be a debt of the purchaser to the retailer until paid and shall be recoverable at law in the same manner as the purchase price. The Recreation Sales Tax applies to all sellers engaging in the sale of tangible personal property or rendering taxable services at retail to the extent and in the manner provided in the Sales Tax Law and the rules and regulations of the Missouri Department of Revenue (**"Department of Revenue"**). All exemptions granted to agencies of government, organizations, persons and to the sale of certain articles and items of tangible personal property and taxable services pursuant to the provisions of the Sales Tax Law are applicable to the imposition and collection of the Recreation Sales Tax. All discounts allowed the retailer pursuant to the provisions of the Sales Tax Law for the collection of and for payment of sales taxes pursuant to such laws are allowed and made applicable to the collection of the Recreation Sales Tax. Pursuant to state law, sellers who promptly pay their sales tax are entitled to retain 2% of the amount of sales taxes owed.

Under the Sales Tax Law, every retailer is required, on or before the last day of the month following each calendar quarter, to file a return showing the seller's gross receipts and the amount of sales tax, including the Recreation Sales Tax, levied for the preceding quarter and remit with the return the sales taxes levied. However, where the aggregate amount of the sales tax levied and imposed upon a seller is in excess of two hundred fifty dollars ($250) per month, the seller shall file a return and remit the amount of sales taxes levied for the calendar quarter, the seller shall be permitted to file a return and remit the amount of sales taxes levied for the calendar year on or before January 31st of the succeeding year. If a seller's aggregate state sales tax was ten thousand dollars ($10,000) or more in each of at least six months during the prior twelve months, the Department of Revenue may, by regulation, require a seller to timely remit the unpaid state sales tax on a quarter-monthly basis. The remittance shall be timely if mailed within three banking days after the end of the quarter-monthly period or if received within four banking days after the end of the quarter-monthly period. The quarter-monthly periods are: (a) the first seven days of a calendar month, (b) the eighth to fifteen days of a calendar month, (c) the sixteenth to twenty-second day of a calendar month, and (c) the portion following the twenty-second day of a calendar month.

Collection and Enforcement of Sales Tax. Retail businesses located in the City submit applications to the appropriate local government unit for a merchant's license and an occupancy permit, and before such license and permit are awarded, verification of a tax identification number from the State is made.

Any business or individual engaged in the business of selling tangible personal property within the State without a valid retail sales license, with certain exceptions, may be assessed a penalty in the amount of up to five hundred dollars ($500) for the first day and one hundred dollars ($100) for each day thereafter, not to exceed ten thousand dollars ($10,000), in addition to any other penalties or interest prescribed in the Sales Tax Law. Any person required to collect, truthfully account for and pay over any sales tax, who willfully attempts in any manner to evade or defeat the sales tax or the payment thereof, or who shall willfully and knowingly overcharge or over-collect such sales tax with intent to make claim to any such overcharged or over-collected amounts may, in addition to other penalties, be liable for a penalty equal to the total amount of sales tax evaded, or not collected, or not accounted for and paid over, or overcharged or over-collected. All sales taxes not paid by the person required to remit same on the date when the same becomes due and payable shall bear interest from and after such date until paid at a rate generally equivalent to the adjusted prime rate charged by banks.

In case of failure to file any return required under the Sales Tax Law on or before the date prescribed therefor, there shall generally be added to the amount required to be shown as sales tax on such return five percent (5%) of the amount of such sales tax if the failure is not for more than one month, with an additional five percent (5%) for each additional month or fraction thereof during which such failure continues, not exceeding twenty-five percent (25%) in the aggregate. In case of a failure to pay the full amount of sales tax required under the Sales Tax Law on or before the date prescribed therefor, there shall generally be added to the sales tax an amount equal to five percent (5%) of the deficiency. These penalties and additions to sales tax shall be in addition to the penalties and interest described in the preceding paragraph.

Any amount assessed or any additional amount assessed by the Department of Revenue under the provisions of the Sales Tax Law, together with the penalty, if any, shall be due and payable from the seller sixty days after the service upon or mailing to the seller of notice of such assessment or such additional assessment, unless the person has filed a petition for review, in which case such amount assessed or additional amount assessed, together with penalty, if any, shall be due and payable upon final adjudication of such petition for review.

In any case in which any assessment of sales tax, interest, additions to sales tax or penalty imposed under the Sales Tax Law has been made and has become final, the Department of Revenue may file for record in the recorder's office of any county in which the taxpayer owing such sales tax, interest, additions to sales tax or penalty resides, owns property or has a place of business a certificate of lien specifying the amount of the sales tax, additions to sales tax, interest or penalty due and the name of the person liable for same. The lien shall be continuing and shall attach to real or personal property owned by the taxpayer or acquired in any manner by the taxpayer after filing of the certificate of lien. In addition, the lien may be filed for record in the office of the clerk of the circuit court of any county in which the taxpayer resides, or has a place of business, or owns property. The clerk of the circuit court shall file such certificate and enter it in the record of the circuit court for judgments and decrees under the procedure prescribed for filing transcripts of judgments.

Any sales tax due and unpaid shall constitute a debt and in any case of failure to pay the sales tax, or any portion thereof, or any penalty or interest provided for in the Sales Tax Law when due, the Department of Revenue may recover the amount of such sales tax, penalty and interest by an action at law or other appropriate judicial proceedings. All remedies shall be cumulative, and no action taken shall be construed on the part of the State of Missouri or any of its officers to pursue any remedy to the exclusion of any other remedy provided for in the Sales Tax Law.

Distribution of Sales Tax to City. Within 30 days of receipt of sales taxes, the Department of Revenue remits to the State Treasurer for deposit in a special trust fund for the benefit of each political subdivision entitled to a sales tax distribution the amount of such sales tax receipts less 1% of such amount which constitutes a fee paid to the State for collecting and distributing the tax. The State Treasurer then distributes moneys on deposit in the special trust fund on behalf of each such political subdivision to such political subdivision on a monthly basis.

Deposit of Sales Tax by City. On receipt of a distribution of sales tax revenues from the State Treasurer, the City's Comptroller will determine the amount of such distribution which is allocable to the Recreation Sales Tax and deposit such amount in the Local Park Fund.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS

General

The Series 2007 Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals and Additional Rentals derived by the Corporation from the leasing of the Property to the City pursuant to the Lease. The City has covenanted, subject to annual appropriation, to pay Rentals and Additional Rentals at such times and in such amounts as are necessary to provide for the timely payment of principal of, premium, if any, and interest on the Series 2007 Bonds. See "**SUMMARY OF THE LEASE AGREEMENT**" set forth in **Appendix D** hereto.

THE SERIES 2007 BONDS AND THE INTEREST THEREON SHALL NOT BE A DEBT OF THE CITY, THE STATE, OR ANY INSTRUMENTALITY THEREOF AND NONE OF THE CITY, THE STATE, OR ANY INSTRUMENTALITY THEREOF SHALL BE LIABLE THEREON, AND THE SERIES 2007 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION THEREUNDER.

Pursuant to the Lease, the City has agreed, subject to annual appropriation, to make payments of Rentals and Additional Rentals to the Corporation. The Rentals and Additional Rentals received from the City have been assigned by the Corporation to the Trustee for the benefit of the Bondholders. For so long as the Series 2007 Bonds are outstanding, the City is required to pay, as Rentals, subject to annual appropriation, to the Trustee, as assignee of the Corporation, amounts corresponding to payments of principal of, premium, if any, and interest on the Series 2007 Bonds as they become due, in immediately available funds, not fewer than five (5) business days before any payment is due. The City covenants that it will pay the Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, and interest on the Bonds will occur. Additional Rentals include, among other things, payments sufficient to maintain the Debt Service Reserve Fund, if required.

Although subject to annual appropriation, the City's obligation to make payments of Rentals and Additional Rentals is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or setoff, and must be sufficient to fund debt service on the Bonds, fund the Debt Service Reserve Fund, if required, and to pay all other amounts required under the Lease and the Indenture. Although subject to annual appropriation, the City's obligations under the Lease are not subject to notice or demand, or abatement, offset, deduction, setoff, counterclaim, recoupment or defense of any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or arising hereafter. Additionally, subject to annual appropriation, the City has agreed in the Lease that to the extent Rentals and Additional Rentals are insufficient to provide the Corporation and the Trustee with funds sufficient to pay the foregoing, the City will pay as Additional Rentals, upon demand therefor, such further sums of money as may be required from time to time for such purposes.

THE CITY'S PAYMENT OF RENTALS AND ADDITIONAL RENTALS PURSUANT TO THE LEASE IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY. IF THE CITY FAILS TO BUDGET AND APPROPRIATE FUNDS FOR RENTALS AND ADDITIONAL RENTALS IN ANY FISCAL YEAR, THE LEASE AGREEMENT WILL TERMINATE AT THE END OF THE FISCAL YEAR FOR WHICH FUNDS HAVE BEEN APPROPRIATED AND REQUIRE THE CITY TO VACATE THE PROPERTY, WHICH IS A PART OF THE SECURITY FOR THE 2007 BONDS.

Funds Created

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

(a) **Project Fund**, including separate and distinct accounts designated the **"Series 2007 Project Account,"** and the **"Series 2007 Costs of Issuance Account;"** and

(b) **Debt Service Fund**, including an account designated the **"Series 2007 Debt Service Account;"** and

(c) **Debt Service Reserve Fund**; and

(d) **Rebate Fund.**

The moneys in the above funds and accounts shall be held by the Trustee and shall be applied in accordance with the provisions of the Indenture and the Lease.

Project Fund

Moneys on deposit in the Series 2007 Project Account shall be expended in accordance with the Lease, in amounts equal to the amounts of Construction Costs and other Costs of the Project. Moneys on deposit in the Series 2007 Costs of Issuance Account shall be paid out from time to time by the Trustee in an amount equal to the amount of costs and expenses of issuing and securing the Series 2007 Bonds, including, without limitation, printing expenses, rating agency fees, recording, and filing fees, Trustee's and depository's fees and expenses, fees and expenses of the Corporation, legal fees and expenses, and other fees and expenses incurred or to be incurred by or on behalf of the Corporation or the City in connection with or incident to the issuance, sale, and delivery of the Series 2007 Bonds.

Debt Service Fund

The Corporation has authorized the Trustee to withdraw sufficient funds from the Debt Service Fund to pay the principal of, and redemption premium, if any, and interest on the Bonds as the same become due and payable. Any moneys in the Debt Service Fund may be used to redeem a portion of the Bonds Outstanding so long as the City is not in default with respect to any payments under the Lease and to the extent said moneys exceed the amount required (i) for payment of Bonds theretofore matured or called for redemption, and (ii) for payment of any past due interest remaining unpaid.

Debt Service Reserve Fund

The Debt Service Reserve Fund Requirement for the Series 2007 Bonds shall be satisfied initially by depositing a surety bond issued by the Credit Provider guaranteeing certain payments into the Debt Service Reserve Fund with respect to the Series 2007 Bonds (the **"Reserve Policy"**). See **"AMBAC ASSURANCE CORPORATION-Debt Service Reserve Fund Reserve Policy"** herein. Except as otherwise provided in the Indenture, funds on deposit in the Debt Service Reserve Fund and amounts available under the Reserve Policy may be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Debt Service Fund are insufficient to pay the principal of and interest on the Bonds as the same become due. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund whether or not the amount therein equals the Debt Service Reserve Fund Requirement. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Bonds called for redemption or to purchase Bonds in the open market, prior to their Stated Maturity, provided all Bonds at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund shall be used to pay and retire the Bonds last becoming due, unless such Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Debt Service Reserve Fund, including amounts available under the Reserve Policy, aggregate an amount equal to the Debt Service Reserve Fund Requirement on each valuation date, no further deposits to said Debt Service Reserve Fund will be required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the City shall, make up such deficiency by making monthly payments of Additional Rentals, with respect to draws on the Reserve Policy, and with respect to a draw of any cash withdrawn from the Debt Service Reserve Fund in the manner provided in the Indenture, so long as the sum on deposit and amounts available under the Reserve Policy in the Debt Service Reserve Fund aggregates an amount equal to the Debt Service Reserve Fund Requirement, investment earnings on funds on deposit in the Debt Service Reserve Fund shall be deposited into the Debt Service Fund. If, however, the sum on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, investment earnings on funds in the Debt Service Reserve Fund shall remain therein and be applied to reducing such deficiency.

Notwithstanding the foregoing, any Credit Enhancement guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement may be used in lieu of or as partial substitution for cash in the Debt Service Reserve Fund. In the case of the utilization of any cash substitute as described in this paragraph, any moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the Debt Service Fund.

Permitted Investments in the Debt Service Reserve Fund shall be evaluated at the market value thereof, exclusive of accrued interest, by the Trustee quarterly on February 15, May 15, August 15, and November 15 of each year and the amount on deposit therein determined accordingly. In the event that on any such date of evaluation the amount on deposit in any account of the Debt Service Reserve Fund aggregates an amount less than the applicable Debt Service Reserve Fund Requirement (by reason of such evaluation and not by reason of any withdrawal), the City shall make up such deficiency as Additional Rentals equal to such deficiency no later than the next valuation date. Valuation of amounts available under the Reserve Policy shall be determined in accordance with the terms of the Reserve Policy and the Indenture.

After payment in full of the principal of, premium, if any, and interest on the Bonds (or provision has been made for the payment thereof as specified in the Indenture), the payment of any Policy Costs owed to the Credit Provider, and the fees, charges, and expenses of the Trustee and any Paying Agent, and any other amounts required to be paid under the Indenture, the Lease, the Leasehold Deed of Trust, the Tax Compliance Agreement, and any agreement with respect to Credit Enhancement, all amounts remaining in the Debt Service Reserve Fund shall be paid to the City, free and clear of the lien of the Indenture.

Rebate Fund

In accordance with the Tax Compliance Agreement, the Corporation has covenanted to calculate and pay directly to the United States of America all amounts due for payment of "arbitrage rebate" under Section 148(f) of the Code with respect to the Series 2007 Bonds. Accordingly, no amounts shall be deposited in the Rebate Fund, provided, however, that the Corporation may in the future deposit with the Trustee or direct the Trustee in writing to deposit in the Rebate Fund amounts held in any fund or account under the Indenture for the Series 2007 Bonds (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate). The Rebate Fund is a trust fund, but amounts therein do not constitute part of the Trust Estate. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States of America under Section 148(f) of the Code and to pay costs related to the calculation of the amounts due. Any amounts remaining in the Rebate Fund upon satisfaction of all rebate obligations payable to the United States of America shall be transferred to the City.

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 (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 2007 Bonds and any other Outstanding Bonds with the prior written consent of the Credit Provider, at any time and from time to time, upon compliance with the conditions provided in the Indenture for the purpose of:

(a) paying the costs of completing the Project, such costs to be evidenced by a certificate signed by a City Representative and a Corporation Representative; or

(b) providing funds for refunding all or any part of the Bonds of any series then Outstanding, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding provided, however, that a refunding of all of the Bonds then Outstanding will not require the consent of the Credit Provider.

BOND INSURANCE

Bond Insurance Policy

If, on the third Business Day prior to the related scheduled Interest Payment Date or Principal Payment Date (collectively, the **"Payment Date"**) for the Series 2007 Bonds, there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series 2007 Bonds due on such Payment Date, the Trustee shall give notice to the Credit Provider of such deficiency. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2007 Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Credit Provider of such deficiency,

In the event that the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 2007 Bonds a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 2007 Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 2007 Bonds paid by the Credit Provider, whether by virtue of mandatory sinking fund redemption, maturity, or other advancement of maturity, on its books as a reduction in the principal amount of Series 2007 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a Replacement Bond to the Credit Provider, registered in the name of the Credit Provider, in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2007 Bond shall have no effect on the amount of principal or interest payable by the Credit Provider on any Series 2007 Bond or the subrogation rights of the Credit Provider. The Trustee shall keep a complete and accurate record of all funds deposited by the Credit Provider.

Upon payment of a claim under the Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the **"Policy Payments Account."** The Trustee shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are made with respect to the Series 2007 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth in the Indenture, and to the extent permitted by law, in the event amounts paid under the Bond Insurance Policy are applied to claims for payment of principal of or interest on the Series 2007 Bonds, interest on such principal of and interest on such Series 2007 Bonds shall accrue and be payable from the date of such payment at the greater of (i) the per annum rate of interest, publicly announced from time to time by JP Morgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3%, and (ii) the then applicable rate of interest on the Series 2007 Bonds provided that in no event shall exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses, or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Credit Provider.

Bonds paid by the Credit Provider under the Bond Insurance Policy shall not be deemed paid and shall remain Outstanding and continue to be due and owing until paid by or on behalf of the Corporation in accordance with the Indenture.

Credit Provider as Sole Holder

The Credit Provider, if any, shall be deemed to be the sole holder of the Series 2007 Bonds which it has insured or otherwise enhanced. The Credit Provider shall be included as a party in interest and as a party entitled to (i) notify the Corporation, the Trustee, or any applicable receiver of the occurrence of an event of default, and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the Series 2007 Bonds or the security therefor. The Credit Provider shall be entitled to pay principal or interest on the Series 2007 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Series 2007 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Credit Provider has received a Notice of Nonpayments (as such term is defined in the Bond Insurance Policy) or a claim upon the Bond Insurance Policy.

Bonds to Remain Outstanding

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Series 2007 Bonds shall be paid by the Credit Provider pursuant to the Bond Insurance Policy, the Series 2007 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the Trust Estate and all covenants, agreements, and other obligations of the Corporation to the registered owners shall continue to exist and shall run to the benefit of the Credit Provider, and the Credit Provider shall be subrogated to the rights of such registered owners.

Amounts received by the Trustee after a payment by the Credit Provider shall be applied first to the payment of reasonable expenses of the Trustee and thereafter to the payment of debt service due and past due on the Bonds, together with the replenishment of the Debt Service Reserve Fund prior to being applied to the payment of expenses of the Corporation.

AMBAC ASSURANCE CORPORATION

The following information has been furnished by the Credit Provider for use in this Official Statement. Reference is made to ***Appendix F*** *to this Official Statement for a specimen of the Bond Insurance Policy:*

Payment Pursuant to the Bond Insurance Policy

Ambac Assurance Corporation (the **"Credit Provider"**) has made a commitment to issue a Bond Insurance Policy (the "Bond Insurance Policy") relating to the Series 2007 Bonds, effective as of the date of issuance of the Series 2007 Bonds. Under the terms of the Bond Insurance Policy, the Credit Provider 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 2007 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Corporation (as such terms are defined in the

Bond Insurance Policy). The Credit Provider will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which the Credit Provider shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2007 Bonds and, once issued, cannot be canceled by the Credit Provider.

The Bond 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 2007 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2007 Bonds, the Credit Provider will remain obligated to pay the principal of and interest on outstanding Series 2007 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 2007 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, except to the extent that the Credit Provider elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Corporation). Upon payment of all such accelerated principal and interest accrued to the acceleration date, the Credit Provider's obligations under the Bond Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2007 Bond that has become Due for Payment and that 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, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Credit Provider to the extent of such recovery if sufficient funds are not otherwise available.

The Bond Insurance Policy does **not** insure any risk other than Nonpayment (as set forth in the Bond Insurance Policy). Specifically, the Bond 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; and

3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Bond Insurance Policy, payment of principal requires surrender of the Series 2007 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2007 Bonds to be registered in the name of the Credit Provider to the extent of the payment under the Bond Insurance Policy. Payment of interest pursuant to the Bond Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Credit Provider.

Upon payment of the insurance benefits, the Credit Provider will become the owner of the Series 2007 Bond, appurtenant coupon, if any, or right to payment of the principal of or interest on such Series 2007 Bond and will be fully subrogated to the surrendering holder's rights to payment.

Debt Service Reserve Fund Reserve Policy

The Indenture requires the establishment of a Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement. The Indenture authorizes the Corporation to obtain a Reserve Policy in place of fully funding the Debt Service Reserve Fund. Accordingly, application has been made to the Credit Provider for the issuance of a Reserve Policy for the purpose of funding the Debt Service Reserve Fund. See the **"Indenture"** and **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS"** herein.) The Series 2007 Bonds will only be delivered upon the issuance of such Reserve Policy. The premium on the Reserve Policy is to be fully paid at or prior to the issuance and delivery of the Series 2007 Bonds. The Reserve Policy provides that upon the later of (i) one (1) day after receipt by the Credit Provider of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2007 Bond when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to the Credit Provider, the Credit Provider will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Series 2007 Bonds, but in no event exceeding the Reserve Policy Coverage, as defined in the Reserve Policy.

Pursuant to the terms of the Reserve Policy, the Reserve Policy Coverage is automatically reduced to the extent of each payment made by the Credit Provider under the terms of the Reserve Policy and the Corporation is required to reimburse the Credit Provider for any draws under the Reserve Policy with interest at a market rate. Upon such reimbursement, the Reserve Policy is reinstated to the extent of each principal reimbursement up to but not exceeding the Reserve Policy Coverage. The reimbursement obligation of the Corporation is subordinate to the Corporation's obligations with respect to the Series 2007 Bonds.

In the event that amount on deposit, or credited to the Debt Service Reserve Fund, exceeds the amount of the Reserve Policy, any draw on the Reserve Policy shall be made only after all the funds in the Debt Service Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Debt Service Reserve Fund, in addition to the amount available under the Reserve Policy, includes amounts available under a letter of credit, insurance policy, the Reserve Policy or other such funding instrument (the **"Additional Funding Instrument"**), draws on the Reserve Policy and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Debt Service Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Reserve Policy shall be paid from first available Revenues; (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Fund to the required level, after taking into account the amounts available under the Reserve Policy shall be deposited from next available Revenues.

The Reserve Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

The Credit Provider

The Credit Provider is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$10,194,000,000** (unaudited) and statutory capital of approximately **$6,557,000,000** (unaudited) as of **March 31, 2007.** Statutory capital consists of the Credit Provider's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to the Credit Provider.

The Credit Provider has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Credit Provider will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Credit Provider under policy provisions substantially identical to those contained in the Bond Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Corporation. **No representation is made by the Credit Provider regarding the federal income tax treatment of payments that are made by the Credit Provider under the terms of the Bond Insurance Policy due to non-appropriation of funds by the City.**

The Credit Provider makes no representation regarding the Series 2007 Bonds or the advisability of investing in the Series 2007 Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by the Credit Provider and presented under the heading **"BOND INSURANCE."**

Available Information

The parent company of the Credit Provider, 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 100 F Street, N.E., Room 1580, 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., 20 Broad Street, New York, New York 10005.

Copies of the Credit Provider's financial statements prepared in accordance with statutory accounting standards are available from the Credit Provider. The address of the Credit Provider's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (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, 2006 and filed on March 1, 2007;

2. The Company's Current Report on Form 8-K dated and filed on April 25, 2007; and

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2007 and filed on May 10, 2007.

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"**.

THE SERIES 2007 BONDS

General

The Series 2007 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co. or other such name (either, the **"Nominee"**), as may be requested by an authorized representative of The Depository Trust Company (**"DTC"**), New York, New York, as registered owner and nominee for DTC. No Beneficial Owners (as defined herein) will receive certificates representing their respective interest in the Series 2007 Bonds, except in the event the Corporation issues replacement bonds. Ownership and subsequent transfers of ownership will be reflected by book-entry on the records of DTC and the Participants (as defined herein).

The Series 2007 Bonds will be issued in denominations of $5,000 or any integral multiple thereof, will be dated their date of delivery, and will bear interest on a current basis from that date, payable beginning February 15, 2008, and semi-annually thereafter on each February 15 and August 15, at the rates and will mature on February 15 in the years, set forth on the inside cover page hereof.

The Series 2007 Bonds will be subject to optional redemption and extraordinary redemption prior to maturity as described below.

Interest on the Series 2007 Bonds will be payable by check or draft mailed to each registered owner in whose name any Series 2007 Bond is registered as of the close of business on the first day of the calendar month in which the interest is to be paid. Upon the written request delivered to the Trustee at least five days prior to a Record Date next preceding an Interest Payment Date by any holder of at least $1,000,000 principal amount of Series 2007 Bonds, payment of principal and interest to such holder will be made by wire transfer to an account designated by such Holder, such written notice to include the name and ABA routing number of the bank to which such transfer is to be made.

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

Optional Redemption

The Series 2007 Bonds are subject to redemption, in whole on February 15, 2017, and any date thereafter, or in part on February 15, 2017, and on any Interest Payment Date thereafter (in any Authorized Denomination), at the option of the Corporation, upon the direction and instructions of the City, at redemption prices equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption

The Series 2007 Bonds maturing in the years 2028, 2032 and 2037 (the **"Term Bonds"**), shall be subject to mandatory sinking fund redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on February 15, 2025, February 15, 2029, and February 15, 2033, respectively, and annually on February 15 in each of the years thereafter to and including February 15, 2028, February 15, 2032, and February 15, 2037, respectively, at the redemption price of 100% of the principal amount so redeemed, plus accrued interest thereon to the Redemption Date, without premium. The Rentals to be made pursuant to the Lease shall be sufficient to redeem, and the Corporation shall redeem, on February 15 of the following years, the following principal amounts of such Series 2007 Bonds:

TERM BONDS MATURING FEBRUARY 15, 2028

STATED MATURITY FEBRUARY 15	PRINCIPAL AMOUNT
2025	$1,765,000
2026	$1,845,000
2027	$1,930,000
2028*	$2,015,000

*Final Maturity

TERM BONDS MATURING FEBRUARY 15, 2032

STATED MATURITY FEBRUARY 15	PRINCIPAL AMOUNT
2029	$2,105,000
2030	$2,210,000
2031	$2,320,000
2032*	$2,440,000

*Final Maturity

TERM BONDS MATURING FEBRUARY 15, 2037

STATED MATURITY FEBRUARY 15	PRINCIPAL AMOUNT
2033	$2,560,000
2034	$2,690,000
2035	$2,825,000
2036	$2,965,000
2037*	$3,110,000

*Final Maturity

Extraordinary Redemption

The Series 2007 Bonds are subject to extraordinary redemption and payment prior to their respective Stated Maturities by the Corporation upon direction and instructions from the City, on any date, upon the occurrence of any of the following conditions or events, provided all of the Series 2007 Bonds so redeemed are redeemed and paid according to their terms:

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

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

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

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

The Series 2007 Bonds redeemed in connection with the occurrence of any of the conditions or events described above shall be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date without premium.

Selection of Series 2007 Bonds to be Redeemed

In the event less than all of the Series 2007 Bonds of a particular Stated Maturity are to be redeemed, the Trustee shall select the Series 2007 Bonds to be redeemed by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Outstanding Bonds of that Series of a denomination larger than $5,000.

Notice and Effect of Call for Redemption

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

Prior to any date fixed for redemption, there shall be deposited with the Trustee funds sufficient or Defeasance 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 portion of the Bonds to be redeemed.

Registration, Transfer and Exchange

The Trustee is appointed Bond Registrar for the purpose of registering, transferring, and exchanging 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 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 its attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the Corporation shall execute and the Trustee shall authenticate and deliver in exchange for such Bond, a new Bond or Bonds, registered in the name of the transferee, of any Authorized Denomination, 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 payment office of the Trustee, together with a written instrument of transfer duly executed by the Registered Owner thereof or its attorney or legal representative in such form as is satisfactory to the Trustee, may, at the option of the Registered Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and Stated Maturity, of any Authorized Denomination, and bearing interest at the same rate.

In all cases in which Bonds are exchanged or transferred, the Corporation 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 Corporation 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 is completed. In the event any Registered Owner fails to provide a certified taxpayer identification number to the Trustee, the Trustee may impose a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Code, such amount may be deducted by the Trustee from amounts otherwise payable to such Registered Owner hereunder or under the Bonds.

Neither the Corporation 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 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.

Book-Entry Only System

General. Ownership interests in the Series 2007 Bonds will be available to purchasers only through a book-entry system (the **"Book-Entry System")** maintained by DTC, New York, New York, which will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered securities registered in the name of the Nominee. Initially, one fully-registered certificate will be issued for each maturity of the Series 2007 Bonds, in the aggregate principal amount of each maturity of the Series 2007 Bonds, and will be deposited with DTC. The following discussion will not apply to any Series 2007 Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry System, as described below.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2007 Bonds, the Beneficial Owners of the Series 2007 Bonds will not receive or have the right to receive physical delivery of the Series 2007 Bonds, and references herein to the Bondholders or registered owners of the Series 2007 Bonds mean the Nominee and not the Beneficial Owners of the Series 2007 Bonds.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a *"banking organization"* within the meaning of the New York Banking Law, a member of the Federal Reserve System, a *"clearing corporation"* within the meaning of the New York Uniform Commercial Code and a "*clearing agency"* registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants (**"Direct Participants"**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**"Indirect Participants"**). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchase of Ownership Interests. Purchases of Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2007 Bond (**"Beneficial Owner"**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of the Nominee, or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 Bonds with DTC and their registration in the name of the Nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2007 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2007 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2007 Bond documents. For example, Beneficial Owners of Series 2007 Bonds may wish to ascertain that the Nominee holding the Series 2007 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption. Redemption notices shall be sent to DTC. If less than all of the Series 2007 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2007 Bonds to be redeemed.

Voting. Neither DTC nor the Nominee will consent or vote with respect to Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation, as issuer, as soon as possible after the record date. The Omnibus Proxy assigns the Nominee's consenting or voting rights to those Direct Participants to whose accounts Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Payments of the principal of, and interest and premium, if any, on the Series 2007 Bonds will be made to the Nominee. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*" and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2007 Bonds to the Nominee is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Series 2007 Bonds at any time by giving notice to the Corporation or the Trustee. Bond certificates may be printed and delivered to those persons to whom transfer is requested in written transfer instruction in the event that (a) DTC shall so resign or discontinue its services for the Series 2007 Bonds and the Corporation is unable to locate a qualified successor within two months following such resignation, (b) the Corporation determines that DTC is incapable of discharging its duties and the Corporation is unable to locate a qualified successor within two months following such determination, or (c) upon a determination by the Corporation that the continuation of a book-entry system described herein, which precludes the issuance of certificates to any Holder other than DTC (or its nominee) is no longer in the best interest of the beneficial owners of the Series 2007 Bonds, then the Corporation shall notify the beneficial owners of such resignation or determination and of the availability of Replacement Bonds to beneficial owners of the Series 2007 Bonds requesting the same and registration, transfer and exchange of such Series 2007 Bonds will be conducted as provided in the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters take any responsibility for the accuracy of such information, and the DTC Participants and the Beneficial Owners should not rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

THE CITY, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2007 BONDS; (III) THE DELIVERY BY ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL

REDEMPTION OF THE SERIES 2007 BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

DURING THE PERIOD THAT THE NOMINEE IS THE REGISTERED OWNER OF THE SERIES 2007 BONDS, ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO THE NOMINEE. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE DIRECT PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE INDIRECT PARTICIPANTS AND THE BENEFICIAL OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE DIRECT PARTICIPANTS OR BY THE DIRECT PARTICIPANT TO THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS. ANY FAILURE BY DTC TO ADVISE ANY DIRECT PARTICIPANT, OR ANY FAILURE BY ANY DIRECT PARTICIPANT TO NOTIFY ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of Series 2007 Bonds	$51,965,000.00
Plus Net Original Issue Premium	485,826.15
TOTAL SOURCES OF FUNDS	$52,450,826.15
Use of Funds:	
Deposit to Project Fund	$51,319,348.29
Costs of Issuance [(1)]	1,131,477.86
TOTAL USES OF FUNDS	$52,450,826.15

[(1)] Includes underwriting discount, Bond Insurance Policy and Reserve Policy premiums and other costs of issuance associated with the Series 2007 Bonds.

DEBT SERVICE REQUIREMENTS FOR THE SERIES 2007 BONDS

The following table shows the annual debt service of the Corporation for its Outstanding Bonds issued under the Indenture for the fiscal years set forth below:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2008	$1,665,000	$1,441,510.78	$3,106,510.78
2009	$875,000	$2,361,431.26	$3,236,431.26
2010	$910,000	$2,326,431.26	$3,236,431.26
2011	$950,000	$2,290,031.26	$3,240,031.26
2012	$985,000	$2,252,031.26	$3,237,031.26
2013	$1,025,000	$2,212,631.26	$3,237,631.26
2014	$1,065,000	$2,171,631.26	$3,236,631.26
2015	$1,110,000	$2,129,031.26	$3,239,031.26
2016	$1,155,000	$2,083,521.26	$3,238,521.26
2017	$1,185,000	$2,035,877.50	$3,220,877.50

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2018	$1,280,000	$1,985,515.00	$3,265,515.00
2019	$1,335,000	$1,931,115.00	$3,266,115.00
2020	$1,380,000	$1,864,365.00	$3,244,365.00
2021	$1,460,000	$1,805,715.00	$3,265,715.00
2022	$1,525,000	$1,741,475.00	$3,266,475.00
2023	$1,600,000	$1,665,225.00	$3,265,225.00
2024	$1,680,000	$1,585,225.00	$3,265,225.00
2025	$1,765,000	$1,501,225.00	$3,266,225.00
2026	$1,845,000	$1,421,800.00	$3,266,800.00
2027	$1,930,000	$1,338,775.00	$3,268,775.00
2028	$2,015,000	$1,251,925.00	$3,266,925.00
2029	$2,105,000	$1,161,250.00	$3,266,250.00
2030	$2,210,000	$1,056,000.00	$3,266,000.00
2031	$2,320,000	$945,500.00	$3,265,500.00
2032	$2,440,000	$829,500.00	$3,269,500.00
2033	$2,560,000	$707,500.00	$3,267,500.00
2034	$2,690,000	$579,500.00	$3,269,500.00
2035	$2,825,000	$445,000.00	$3,270,000.00
2036	$2,965,000	$303,750.00	$3,268,750.00
2037	$3,110,000	$155,500.00	$3,265,500.00

BONDHOLDERS' RISKS

The Series 2007 Bonds involve certain risks, and the discussion below should be reviewed in evaluating these risks. The Series 2007 Bonds may not be suitable investments for all persons, and prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2007 Bonds and should confer with their own legal and financial advisors. The following discussion of risk factors is not intended to be exhaustive.

General

The Series 2007 Bonds are limited obligations of the Corporation, payable solely out of the Rentals and Additional Rentals derived by the Corporation from leasing of the Property to the City pursuant to the Lease. The Corporation has no taxing power, the Series 2007 Bonds and the interest thereon are not a debt of the City or the State or any instrumentality thereof and neither the City nor the State or any instrumentality thereof is liable thereon, and the Series 2007 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Event of Non-Appropriation

The City cannot be legally obligated to appropriate funds and thus no representation or assurance can be given that the City will appropriate revenues in amounts sufficient to make payments of Rentals and Additional Rentals under the Lease. The appropriation by the City of future revenues to be paid under the Lease is dependent upon, among other things, government regulations, the capabilities of the management of the City and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. Failure by the City to appropriate funds in any fiscal year to make payments of Rentals and Additional Rentals when due constitutes an Event of Non-Appropriation under the Lease pursuant to which the Trustee may terminate the Lease and require the City to vacate the Property.

No Restrictions on Use of Property After Default Under Lease

If an Event of Default occurs for any reason with respect to the City under the Lease or if the City terminates the Lease and fails to purchase the Corporation's interest in the Property, the Corporation has the right to possession of the Property for the remainder of the Base Lease Term and may sublease the Property or sell its interest in the Base Lease or the Property upon whatever terms and conditions it deems prudent. If the Corporation assigns or sells its interest in the Property under these circumstances, no assurances can be given that interest on the Series 2007 Bonds would continue to be exempt from federal or State income taxation. See **"TAX MATTERS - Future Events"** herein.

Certain Matters Relating to Enforceability

The remedies available upon a default under the Indenture and the Lease will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and State laws concerning the use of assets of certain organizations, the remedies specified in the Indenture and the Lease may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2007 Bonds will be expressly subject to the qualification that the enforceability of the Indenture and the Lease and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

Miscellaneous Tax Matters

Tax legislation, administrative actions by tax authorities and court decisions, at both the federal and state levels, may adversely affect the tax exempt status of interest on the Series 2007 Bonds under federal or state law. On May 21, 2007 the United States Supreme Court agreed to review *Davis v. Kentucky Dep't of Revenue of the Finance and Admin. Cabinet*, 197 SW3d 557 (2006), a decision of the Kentucky Court of Appeals. The *Davis* decision held that the Kentucky tax law which provided more favorable income tax treatment for holders of bonds issued by Kentucky or its political subdivisions than it did for holders of bonds issued by other states or their political subdivisions violated the Commerce Clause of the United States Constitution. The State exempts from State income tax interest on bonds issued by the State or its political subdivisions, but taxes interest on bonds issued by other states or their political subdivisions. If the United States Supreme Court affirms the holding of the Kentucky Appellate Court, subsequent judicial decisions or legislation enacted by the State could adversely affect the State tax exemption of outstanding bonds, including the Series 2007 Bonds, or result in the exemption from State income tax of interest on bonds issued by other states and their political subdivisions. Either of these actions could affect the market price or marketability of the Series 2007 Bonds. It is not possible to predict how the United States Supreme Court will decide the *Davis* case or what changes in state law might result if such Court affirmed the *Davis* decision. Prospective purchasers of the Series 2007 Bonds should consult their own tax advisor regarding these matters.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

Organization, Powers and Purposes

The Corporation, a nonprofit corporation duly organized in 1991 and existing under the laws of the State, was created to lessen the burden of the government of the City by financing or acquiring, leasing or subleasing real property and any improvements and personal property thereon, to the City. In furtherance of its purposes, the Corporation may borrow money, invest, disburse funds and issue bonds. Neither the members of the Board of Directors of the Corporation (the **"Board of Directors"**) nor any person executing the Series 2007 Bonds is personally liable on the Series 2007 Bonds by reason of the issuance thereof. The Series 2007 Bonds are being issued by the Corporation and will not constitute a debt, liability or obligation of the City or the State. The Corporation has by proper corporate actions of its officers been duly authorized to execute and deliver the Lease, the Base Lease, the Indenture and all related documents.

Board of Directors/Officers

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

1) The Mayor of the City or designee.

2) The Comptroller of the City or designee.

3) The President of the Board of Aldermen or designee.

4) The City Counselor of the City or designee.

5) The Budget Director of the City or designee.

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

FINANCIAL STATEMENTS

The audited financial statements of the City and the related report of the City's independent certified public accountants for the fiscal year ended June 30, 2006, are included in **Appendix B** hereto. The City's independent public accountants have not audited any financial statements of the City for any period subsequent to June 30, 2006, and have not conducted any procedures with respect to the fiscal year 2006 financial statements subsequent to their audit.

RATING

Standard & Poor's Rating Service, a division of the McGraw-Hill Companies is expected to assign a rating of "AAA" to the Series 2007 Bonds, with the understanding that, upon delivery of the

Series 2007 Bonds, a financial guarantee insurance policy will be issued by the Credit Provider. Such rating reflects only the view of such organization and any desired explanation of the significance of the rating should be obtained from the rating agency, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2007 Bonds.

LITIGATION

There is not now pending or, to the knowledge of the Corporation or the City, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance, execution and delivery of the Series 2007 Bonds, the preparation, execution and delivery of this Official Statement or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Corporation, threatened, in any manner challenging or threatening the powers of the Corporation, restraining or enjoining the issuance or delivery of the Series 2007 Bonds or questioning or affecting the validity of the Series 2007 Bonds or the proceedings and authority under which they are to be issued.

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

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2007 Bonds and with regard to the tax-exempt status of the Series 2007 Bonds are subject to the approving legal opinions of Armstrong Teasdale LLP, St. Louis, Missouri, and Saulsberry & Associates, LLC, St. Louis, Missouri, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2007 Bonds. The expected form of the opinions of Co-Bond Counsel is attached as **Appendix E** hereto. Certain legal matters will be passed upon for the Corporation and for the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, The Stolar Partnership LLP, St. Louis, Missouri and Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC, St. Louis, Missouri.

Co-Bond Counsel have not assisted in the preparation of this Official Statement except those portions of this Official Statement under the captions "**THE SERIES 2007 BONDS"** (excluding information concerning DTC and its book entry system)**, "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS**", "**APPROVAL OF LEGAL PROCEEDINGS**", "**TAX MATTERS**," and **Appendixes C, D and E** to this Official Statement and, therefore, express no opinion as to the sufficiency or accuracy of any other material or information, including financial and statistical information, included herein.

TAX MATTERS

Federal Income Tax Consequences of Owning Series 2007 Bonds

The Internal Revenue Code of 1986, as amended (the **"Code"**), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2007 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Series 2007 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2007 Bonds. The Corporation has covenanted in the Indenture and the Corporation and the City have covenanted in the Lease and the Tax Compliance Agreement to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2007 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation has made certain representations and certifications in the Indenture, and the Corporation and the City have made certain representations and certifications in the Lease and the Tax Compliance Agreement. Co-Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of the aforementioned representations and certifications of the Corporation and the City, interest on the Series 2007 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2007 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Co-Bond Counsel is also of the opinion that, under existing law and assuming that interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, interest on the Series 2007 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from Missouri taxable income for purposes of the personal income tax and corporate income tax imposed by the State of Missouri. Co-Bond Counsel expresses no opinion as to whether the interest on the Series 2007 Bonds is exempt from the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

Original Issue Discount

Co-Bond Counsel is also of the opinion that, subject to the conditions set forth above, the original issue discount (as described below) in the selling price of any Bond sold in the initial offering to the public at a price less than the par amount thereof (hereinafter referred to as the **"OID Bonds"**), to the extent properly allocable to each owner of such Bond, is excluded from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding Underwriters and intermediaries) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrued on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals: (1) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (3) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the original issue discount rules and regulations for federal tax purposes require inclusion for state and local income tax purposes of an amount of interest on the OID Bonds as income, even though no corresponding cash interest payment is actually received during the tax year.

Original Issue Premium

Certain of the Series 2007 Bonds are being offered at prices in excess of their principal amounts (collectively, the **"Premium Bonds"**). 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 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. 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 state and local tax consequences of owning and disposing of such Premium Bonds.

Other Federal Tax Matters

Ownership of the Series 2007 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2007 Bonds.

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Series 2007 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2007 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Co-Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the caption **"Tax Matters."** Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2007 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Federal Tax Law and Post Issuance Events

From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Series 2007 Bonds, and thus on the economic value of the Series 2007 Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Series 2007 Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of owners of the Series 2007 Bonds may be proposed or enacted.

Co-Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2007 Bonds may affect the tax status of interest on the Series 2007 Bonds. Co-Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2007 Bonds, or the interest thereon, if any action is taken with respect to the Series 2007 Bonds or the proceeds thereof upon the advice or approval of other counsel.

FINANCIAL ADVISOR

P.G. Corbin & Company, Inc., Philadelphia, Pennsylvania (the **"Financial Advisor"**), has been retained to render certain professional services to the City. The Financial Advisor has provided advice on the plan of financing and structure of the Series 2007 Bonds and has assisted in the preparation of this Official Statement. The information set forth herein has been obtained from the Corporation, the City and other sources which are believed to be reliable. The Financial Advisor has not independently verified the factual information contained in this Official Statement, but has relied on the information supplied by the Corporation, the City and other sources who have certified that such information contains no material misstatement of information.

INVESTMENT ADVISOR

Columbia Capital Management LLC (**"Columbia Capital"**) serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Indenture. Columbia Capital also provided other advice related to the investment of proceeds of the Series 2007 Bonds and funds invested in connection therewith. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

UNDERWRITING

Bear, Stearns & Co. Inc. and the other underwriters listed on the cover of this Official Statement (collectively, the **"Underwriters"**), have agreed to purchase the Series 2007 Bonds from the Corporation at the respective offering prices or yields set forth on the inside cover page of this Official Statement, less an aggregate Underwriters' discount of $393,898.41, pursuant to a Bond Purchase Agreement with the Corporation and the City (the **"Bond Purchase Agreement"**). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2007 Bonds if any are purchased.

The Series 2007 Bonds are being purchased by the Underwriters from the Corporation for resale in the normal course of the Underwriters' business activities. The Underwriters reserve the right to offer any of the Series 2007 Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriters determine.

CREDIT PROVIDER

The Credit Provider is serving as issuer of the Bond Insurance Policy and the Reserve Policy.

TRUSTEE

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

CERTAIN RELATIONSHIPS

Armstrong Teasdale LLP, St. Louis, Missouri, and Saulsberry & Associates, LLC, St. Louis, Missouri are serving as Co-Bond Counsel with respect to the issuance of the Series 2007 Bonds, and each firm also represents the City, certain of the Underwriters and the Trustee from time to time on other transactions or matters. The Stolar Partnership LLP, St. Louis, Missouri and Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC, St. Louis, Missouri, are serving as co-counsel to the Underwriters in connection with the issuance of the Series 2007 Bonds, and each firm also represents the City from time to time on other transactions or matters.

CONTINUING DISCLOSURE

All references herein to the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents. The definitive form of the Continuing Disclosure Agreement may be reviewed prior to the delivery of the Series 2007 Bonds at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis Missouri 63103, and following delivery of the Series 2007 Bonds at the office of the Trustee, UMB Bank, N.A., St. Louis, Missouri, 2 South Broadway, Suite 435, St. Louis, Missouri 63102 (314) 612-8490, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.

Pursuant to the Continuing Disclosure Agreement, the City has covenanted for the benefit of Holders and Beneficial Owners of the Series 2007 Bonds to provide (i) certain financial information and operating data relating to the City and the Corporation by not later than 210 days following the end of the City's Fiscal Year (which currently ends on June 30 of each year) (the **"Annual Report"**), commencing with the report for the 2007 Fiscal Year, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be provided by or on behalf of the City to any person who requests it and to each Nationally Recognized Municipal Securities Information Repository (each a **"National Repository"**) and the repository for the State of Missouri (the **"State Repository"**), if any. The notices of material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board or to each National Repository) and the State Repository, if any.

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

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

The Annual Report will contain or include by reference:

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

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

> **(a) "ECONOMIC AND DEMOGRAPHIC DATA: Population and Other Statistics," "Employment," "Major Employers," "Economic Development," and "Budget and Construction Data;"**
>
> **(b) "EMPLOYEE RELATIONS,"** and
>
> **(c) "RETIREMENT SYSTEMS."**

(3) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in the final Official Statement in tables under the section captioned **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS".**

In addition, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2007 Bonds, if material (each a **"Material Event"**):

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

10. release, substitution or sale of property securing repayment of the Series 2007 Bonds, or
11. ratings changes.

If the Dissemination Agent has been instructed by the City to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with each National Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, with a copy to the City, the Credit Provider, the Underwriter and the Trustee, if the Trustee is not the Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent for the Series 2007 Bonds shall be UMB Bank, N.A. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Dissemination Agent may amend the Continuing Disclosure Agreement (and the approval of such Amendment by the Dissemination Agent shall not be unreasonably withheld) and any provisions of the Continuing Disclosure Agreement may be waived, provided Co-Bond Counsel or other counsel experienced in federal securities law matters provides the Dissemination Agent and the City with its opinion that the undertaking of the City, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Agreement.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Underwriter, the Credit Provider or the owners of at least 25% aggregate principal amount of outstanding Series 2007 Bonds, shall), or any owner or Beneficial Owner of Series 2007 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

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MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between or among the Corporation, the City and the purchasers or holders of any of the Series 2007 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 Provider since the date hereof.

This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Series 2007 Bonds, have been approved and authorized by the Corporation and the City.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

By: /s/ Ivy Neyland-Pinkston
President

THE CITY OF ST. LOUIS, MISSOURI

By: /s/ Francis G. Slay
Mayor

By: /s/ Darlene Green
Comptroller

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

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

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

ORGANIZATION AND GOVERNMENT

General

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

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

Government

The City's system of government is provided for in its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City's voters.

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

The Comptroller is the City's chief fiscal officer, and is elected at large for a four-year term. The Comptroller is, by Charter, 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 EXPENDITURE 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 appointments of certain officials, whose decisions also may affect the City as a whole, including the members of the Board of Police Commissioners (the "Police Board") and the Board of Election Commissioners, are made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney, Recorder of Deeds, and Public Administrator of the City are elected independently for four-year terms.

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"), which operates as "Metro". For additional information on the Bi-State Development Agency, see "**Local Governmental Commissions and Agencies**" herein.

Fire Protection

The Fire Department of the City of St. Louis provides fire protection throughout the corporate limits of the City as well as to the Airport. Services to the City are provided from 30 fire stations currently staffed by approximately 631 full-time firefighters. The Airport staffs 79 full-time firefighters.

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 and have 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. The Missouri State Board of Education, upon the recommendation of the Department of Elementary and Secondary Education, voted to remove the accreditation of the St. Louis Public Schools effective June 15, 2007. Under state law (Section 161.092), the State Board of Education has the authority to classify (accredit) public school districts. Another section of law (Section 162.1100) specifically authorizes the State Board of Education to intervene in the governance of the St. Louis Public Schools, through the creation of a "transitional school district." The law authorizes the creation of a three-person governing board to replace the local board of education. The Missouri governor, the major of St. Louis, and the president of the City's Board of Aldermen each select one person to sit on the governing board. However, the St. Louis Board of Education has appealed the designation.

Medical

Historically, the City has provided health care services for indigent citizens of the City at public clinics and hospitals. More recently, however, the City has entered into contracts with private third parties to provide such services. Saint Louis ConnectCare, Inc. ("ConnectCare") was formed as a nonprofit corporation in 1997 to provide health care services for indigent citizens of the City. A portion of local use tax revenues are earmarked for providing health care services. Pursuant to annual agreements between the City and ConnectCare adopted each fiscal year, which begins on July 1 (the "Fiscal Year"), the City has contributed $5 million annually for health services. In Fiscal Year 2007, the City expects to make $5 million in payments to ConnectCare.

Local Governmental Commissions and Agencies

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

Police

The Police Department of the City of St. Louis is directed by the Police Board, consisting of the Mayor of the City, ex-officio, and four members appointed by the Governor, with the advice and consent of the State Senate. The Police Board's duties and powers, among others, include the power to administer oaths, summon witnesses and establish a police force. The holidays, vacations, pensions and other employment benefits of the police force are set by State statute. The Police Board provides level of employment and salaries of the police force with approval of the City and provides itself with offices, office furniture, clerks and other staff as needed. On the last day of February each year, the Police Board must certify in writing an estimate of the amount of money necessary to carry out its duties during the next Fiscal Year. The State statute provides that the City must appropriate the certified amount in the General Revenue Fund budget for that year. However, in *State ex. rel Sayad v. Zych*, 642 S.W.2d 907 (Mo. banc 1982), the Supreme Court of Missouri held that the City need only appropriate an amount equal to the amount appropriated in the 1980-1981 Fiscal Year, the year in which voters approved an amendment to the State Constitution limiting governmental tax and spending powers. After an appropriation has been made for a particular Fiscal Year, the Police Board is not permitted to transfer appropriated funds from one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

Transit

The Bi-State Development Agency is a body corporate and politic established by a compact between the states of Missouri and Illinois and approved by an Act of Congress. Effective February 1, 2003, the Agency adopted the new name "Metro" for doing business. Metro has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, the St. Louis County and certain Illinois counties within the St. Louis Metropolitan Area. Currently, there is a special 1/2 cent sales tax authorized by the State and assessed by the City and St. Louis County that is primarily used to pay a portion of the costs of the bus transportation system of Metro. In August 1994, an additional 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. Metro operates the MetroLink system between Belleville, Illinois and the Airport and between the Forest Park station and Shrewsbury, Missouri.

The MetroLink system commenced operations in late 1993 and was extended to the Airport in 1994. The first phase of the MetroLink extension to St. Clair County, Illinois, extending the system to Southwestern Illinois College (formerly known as Belleville Area College), was completed in 2001, and the second phase, extending the system to Shiloh, Illinois and the Scott Air Force Base, was completed in 2003. This extension to St. Clair County was funded by State of Illinois grants and local funding from St. Clair County through a special 1/2 cent sales tax authorized by the State of Illinois. The City conveyed title to the McArthur Bridge, which crosses the Mississippi River, to the Bi-State Development Agency to be used in the MetroLink system in exchange for the older Eads Bridge, formerly used by a railroad. Other capital costs were federally financed. The deck of Eads Bridge was refurbished and reopened in July 2003. The Cross County MetroLink extension was completed in August 2006. This project was locally funded through the current and the future revenues of the 1/4 cent sales tax. The MetroLink system is now approximately 46 miles long with 37 passenger stations.

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

Development

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

Other

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

ECONOMIC AND DEMOGRAPHIC DATA

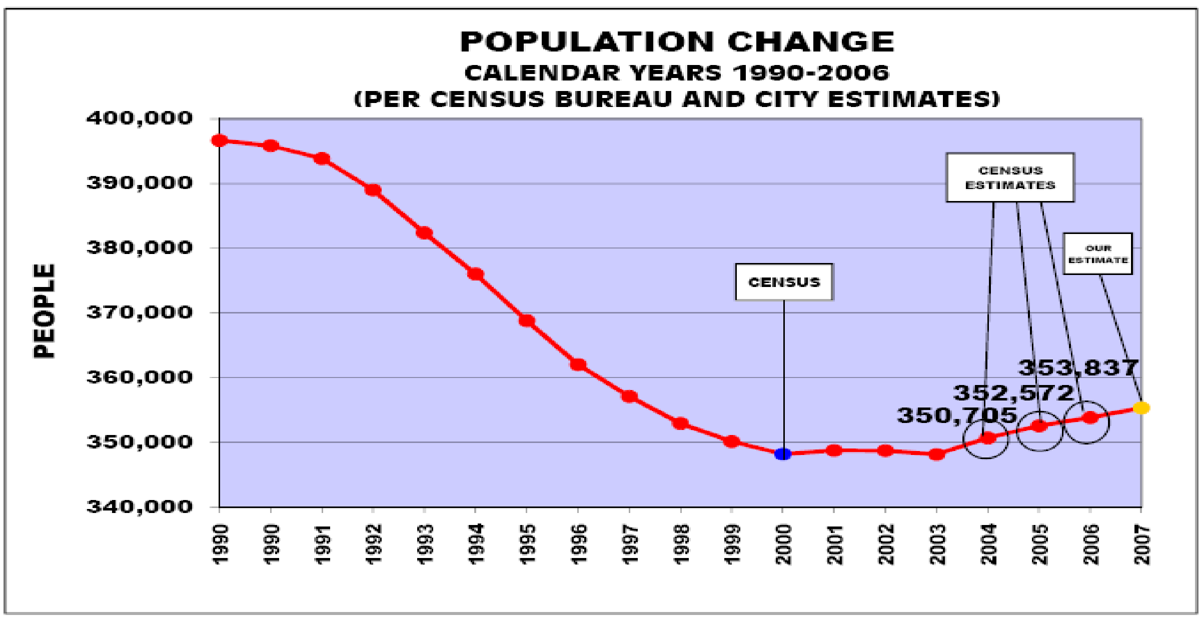
Population Statistics

The City is a part of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "Metropolitan Area") consisting of: the City; the City of Sullivan in Crawford County, Missouri; Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren and Washington Counties in Missouri; and Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair Counties in Illinois. The Metropolitan Area, covering approximately 8,649 square miles in the States of Missouri and Illinois, is the 18th largest metropolitan area in the United States in terms of population. During the past 35 years, there has been a substantial population growth in the outermost counties surrounding the City. At the same time, the City had experienced a substantial population loss. According to Census Bureau estimates for 2005, however, the City's population grew for the first time in more than four decades. The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years.

Calendar Year	City of St. Louis	Metropolitan Area
2000	348,189	2,698,672
2001	348,758	2,720,830
2002	348,730	2,736,733
2003	348,039	2,750,114
2004	350,705	2,766,043
2005	352,572	2,782,411
2006	353,837	2,796,368

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

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



Source: U.S. Bureau of Census.

Industry

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

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

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

Tourism

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

The hospitality industry in St. Louis employs approximately 75,000 area residents. Downtown St. Louis has 22 hotels within a mile of the convention complex known as the America’s Center. These hotels offer more than 7,600 sleeping rooms, an increase of more than 2,200 downtown rooms in the past four years.

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

In 2005, 292 convention and meeting groups booked by the CVC used approximately 398,000 hotel room nights in City and St. Louis County hotels. Approximately 450,000 room nights are projected to be used by convention and meeting groups booked by the CVC in 2006. A concerted effort is being made to increase that number, with the recruitment of a new CVC President with extensive experience in the national convention booking arena.

The City ranks as the second largest inland port in the United States handling more than 33 million tons of freight each year. The Airport had approximately 273,000 commercial aircraft operations (arrivals and departures) and approximately 15.2 million enplaned and deplaned passengers in 2006. On average, there were 789 daily departures and arrivals. The Airport has 83 gates serving 10 major airlines. The Airport completed a $1.1 billion multi-year expansion program in 2006. This expansion added a third parallel runway, improving capacity in all weather conditions. The runway became operational on April 13, 2006. American Airlines (“American”) remains the Airport’s primary air carrier. In 2007, the

Airport is embarking on major renovations and upgrades to the main terminal and concourses. This initiative is intended to improve the Airport's appeal to passengers of all types.

MidAmerica Airport ("MidAmerica"), a joint-use facility with Scott Air Force Base, is located in Illinois approximately 25 miles from downtown St. Louis. MidAmerica is a $210 million first-class metropolitan airport that serves as the Metropolitan Area's cargo, corporate aircraft and reliever airport. The construction of MidAmerica began in 1992, and it opened in November 1997. With the exception of certain overseas flights that require a longer runway for take-offs, MidAmerica's 10,000-foot runway can accommodate most types of aircraft in use today. MidAmerica has enhanced the Metropolitan Area's reputation as one of the nation's premiere transportation centers. The Bi-State Development Agency, which operates the MetroLink system, has extended the MetroLink line to Southwestern Illinois College and another 8.9 miles to reach MidAmerica.

Employment

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

The following table reflects the City's average employment by industry group in December 2006.

CITY EMPLOYMENT BY INDUSTRY GROUP
(TOTAL NON FARM)

Industry Group	Employees	Percentage
Services	114,829	53.9
Government	35,149	16.5
Manufacturing	19,782	9.2
Finance, Insurance and Real Estate	10,502	4.9
Wholesale Trade	9,795	4.6
Retail Trade	9,331	4.4
Transportation	5,910	2.8
Construction and Mining	7,798	3.7
Total	213,096	100.0%

Source: Missouri Department of Labor and Industrial Relations.

There were 213,096 non-farm jobs within the City in December 2006, representing 16% of the region's job base. Job growth in the City has been concentrated in the service sector and the City anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education, and the tourism and convention business.

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Employment Rates

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

	February 2007*	Average 2006	Average 2005	Average 2004	Average 2003
Labor Force	157,753	158,275	160,920	161,554	164,537
Number Employed	147,163	147,428	147,825	146,935	150,435
% City Unemployed	6.7%	6.9%	8.1%	9.0%	8.6%
% State Unemployed	5.7%	4.8%	5.4%	5.8%	5.6%
% U. S. Unemployed	4.9%	4.6%	5.1%	5.5%	6.0%

* Preliminary; subject to change.
Source: Missouri Department of Economic Development.

Major Employers

The following table lists the top 20 employers in the City based on the average of the fourth quarter payroll tax reports of 2005.

2005 TOP 20 EMPLOYERS BY EMPLOYEES

Name	Employees
BJC Health System	15,314
Washington University	12,572
St. Louis University	9,331
City of St. Louis	8,969
St. Louis Board of Education	7,072
AT&T (formerly SBC)	6,612
United States Postal Service	5,837
State of Missouri	5,602
Anheuser Busch	5,098
A.G. Edwards & Sons, Inc.❖	5,024
Federated Retail Holdings†	4,560
National Finance Center	3,400
Defense Finance and Accounting*	3,318
Bi-State Development	2,932
Ameren Corporation	2,603
Kelly Services	2,389
St. Louis Junior College District	2,385
Tenet Health Systems	2,356
Schnucks Markets Inc.	2,248
Bank of America NA	2,115

❖ A.G. Edwards & Sons, Inc. is anticipated to be acquired by Wachovia Corp. in October 2007.
† May Company was acquired by Federated Department Stores, Inc. in August 2005.
* Federal payroll agency. The Federal government withholds on a total of 17,922 employees.
Source: City Collector of Revenue.

Major Taxpayers

The following tables list the 20 largest payers of earnings, payroll, real property and personal property taxes to the Collector of Revenue for calendar year 2006:

TOP 20 TAXPAYERS
EARNINGS TAX -- 2006 CALENDAR YEAR

Company Name	Amount Paid
Anheuser Busch	$ 5,507,237
Washington University	5,214,185
AT&T	4,456,139
BJC Health System	3,911,025
City of St. Louis	3,101,654
A.G. Edwards & Sons, Inc.❖	2,842,649
St. Louis University	2,545,813
United States Postal Service	2,137,139
Federated Retail Holdings†	1,861,935
St. Louis Board of Education	1,824,916
Defense Finance & Accounting Service	1,816,786
Ameren Corporation	1,806,018
National Finance Center	1,620,670
Sigma Aldrich	1,547,053
Nestlé Purina Petcare	1,476,422
State of Missouri	1,202,463
Veterans Administration	991,816
St. Louis Children’s Hospital	968,002
St. Louis Cardinals LP	814,486
Peabody Investments	769,460

❖ A.G. Edwards & Sons, Inc. is anticipated to be acquired by Wachovia Corp. in October 2007.
† May Company was acquired by Federated Department Stores, Inc. in August 2005.
Source: City Collector of Revenue

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TOP 20 TAXPAYERS
PAYROLL EXPENSE TAX -- 2006 CALENDAR YEAR

Company Name	Amount Paid
AT&T	$ 2,070,616
Anheuser Busch	2,032,168
A.G. Edwards & Sons, Inc.❖	1,561,358
Federated Retail Holdings†	874,405
Nestlé Purina Petcare	781,637
Ameren Corporation	718,760
Sigma Aldrich	448,344
St. Louis Cardinal LP	418,838
US Bank NA	415,087
Peabody Investments Corp.	407,403
Tenet Health Systems	404,690
Thompson Coburn LLP	388,076
The Anthem Companies	374,240
Tyco Healthcare Group	348,585
Bank of America NA	326,819
Laclede Gas	288,787
St. Louis Post-Dispatch LLC	210,659
Bryan Cave LLP	200,826
Forest Park Hospital	183,710
St. Alexius Hospital Corp.	178,814

❖ A.G. Edwards & Sons, Inc. is anticipated to be acquired by Wachovia Corp. in October 2007.
† May Company was acquired by Federated Department Stores, Inc. in August 2005.
Source: City Collector of Revenue

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TOP 20 TAXPAYERS
REAL ESTATE TAX -- 2006 CALENDAR YEAR

Company Name	Amount Paid
Anheuser Busch	$ 5,883,763
Ameren/Union Electric	5,495,847
Laclede Gas	4,708,692
SBC Communications	3,756,916
AGE Properties	2,052,898
UPG-Kiener/Stadium Parking LLC	2,021,725
First States Investor	1,945,028
Metropolitan Square & East 10th St. LLC	1,771,766
Mercantile/US/Firstar	1,725,473
Union Station Holdings Inc.	1,662,066
Ralston Purina	1,159,205
Kingsdell, LP	898,150
Mallinckrodt	895,031
Gateway Regal Holdings LLC	849,222
Seven-Seventeen Redevelopment	723,832
NNN Gateway One LLC	657,629
Sigma Chemical Corporation	615,910
Equitable Broadway	611,439
Hampton Village Association	515,546
Gateway Stadium LLC	428,072

Source: City Collector of Revenue

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TOP 20 TAXPAYERS
PERSONAL PROPERTY TAX -- 2006 CALENDAR YEAR

Company Name	Amount Paid
SBC Service Inc.	$ 2,951,836
Anheuser-Busch Inc.	1,569,738
Ameren Union Electric Company	1,255,526
Laclede Gas	1,029,584
Tenet Health System	739,145
Nestlé Purina Petcare Inc.	593,101
Cybertel Cellular	552,317
Federated Retail Holdings†	405,775
IBM Credit Corp	386,344
Janus Hotels and Resorts	349,515
Western United	349,515
Mallinckrodt Inc.	342,449
Charter Communications	340,764
A.G. Edwards & Sons, Inc.❖	315,082
RightChoice Managed Care	299,481
President Riverboat Casino	273,318
Alberici Constructors	242,838
Hogan Motor Leasing Inc.	234,801
Enterprise Leasing Co.	206,389
GE Capital Information	182,895

† May Company was acquired by Federated Department Stores, Inc. in August 2005.
❖ A.G. Edwards & Sons, Inc. is anticipated to be acquired by Wachovia Corp. in October 2007.
Source: City Collector of Revenue

Building and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years 2001 through 2006.

Calendar Year	Value of Housing: New	Value of Housing: Rehabilitation	Value of Commercial, Industrial or other Non-Housing	Total Number of Permits	Total Value
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
2003	112,499,325	103,501,991	326,046,296	5,965	542,047,612
2004	41,002,001	104,936,144	526,140,457	6,069	672,078,602
2005	155,865,516	193,213,943	306,599,451	7,050	655,678,910
2006	67,285,849	137,618,669	664,198,597	6,341	869,103,115

Source: City Building Division.

Sports Related Economic Development

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

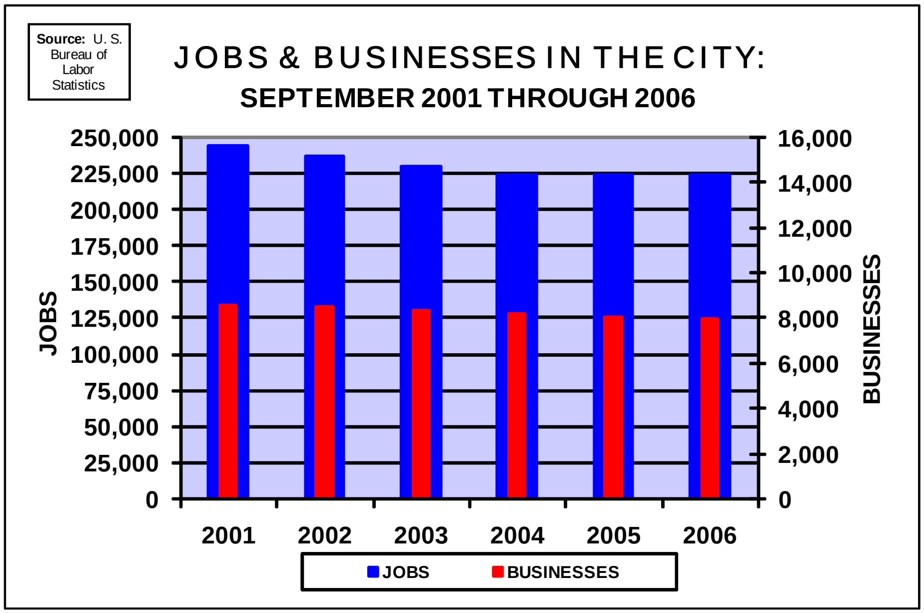
St. Louis also has recently achieved great success as an outstanding host city for sports events. In 2005, the region hosted the Men's NCAA Final Four, generating $62.1 million in economic impact and significant positive media recognition. St. Louis has hosted three of the past five NCAA Wrestling Championships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

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

The former Busch stadium has been demolished, setting the stage for the new ballpark and the development of Ballpark Village, a six-block, mixed use complex that will occupy the northern half of the site of the old stadium. The Cardinals have teamed with the Cordish Company, a developer with extensive national experience in the development of mixed use entertainment districts, for the development of the Village. Investment in Phase I of the Village development is expected to exceed $280 million. The Village development is expected to include 100,000 sq. ft. of new Class A office space—the first downtown since the late 1980s—as well as 324,000 sq. ft. of office, retail and entertainment space. Luxury residential condominium development is also contemplated. The Phase I retail/restaurant/ entertainment space is intended for completion in time for the baseball All-Star Game scheduled for July 2009 in St. Louis. It is anticipated that state and local tax increment incentive financing will be provided for this first phase of the development, with no City general revenue exposure. In addition to recurring tax revenues after completion from taxes based on the extensive economic activity the development will create, it is also anticipated that the development will generate significant City revenues during construction.

Business Development

The City has devoted significant attention during the past six years to business retention and attraction. Following a loss of approximately 20,000 jobs in calendar years 2001 through 2003, the City's job base has now stabilized for the past three years at approximately 223,000. These jobs represent more than 8% of the jobs and more than 10% of the wage base in the entire State of Missouri, concentrated in the City's tiny 62 square mile geographic area.



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

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

- In the business expansion arena, Weismann Dance doubled the size of its manufacturing space and increased its employees by 50%. The company is completing its move to a new location with both a manufacturing facility and a retail store. This move has opened the door to an expansion by American Pulverizer to the location vacated by Weismann. Bissenger's Chocolates expanded its current facility and is now marketing nationwide via catalog and the internet. Solae's consolidated and expanded headquarters and research facility are currently under construction in the CORTEX life sciences district. A number of other existing businesses—Middendorf Meats, LaBarge Products, Tri-Rinse, Asynchrony IT, Rodgers & Townsend, and Nooter—are expanding their City operations. Procter & Gamble continues to expand and add products to its manufacturing line in the City.

- In the "growing new businesses" arena, the City's two incubators—the Center for Emerging Technologies and Midtown—are hosting both life science and other businesses and assisting them in becoming self sufficient. Stereotaxis, a CET client, raised capital through an IPO and is now located in the original CORTEX building. Dynalabs, a Midtown client, is moving towards an IPO. Other businesses hosted by the Midtown Center include a cookie company, a heating/cooling company, and an environmental testing firm. In addition, local entrepreneurs have purchased majority holdings in a pharmaceutical company with promising drug and drug manufacturing patents, and are in the process of expanding the business and relocating portions of it to the City.

- In the business retention arena, several major professional firms (Price Waterhouse, PGAV, and Northwestern Mutual, among others) have renewed their downtown leases, and others are in the process of doing so. AT&T recently announced its decision to consolidate the Bell South and SBC Yellow Pages headquarters in downtown St. Louis, retaining approximately 700 jobs and opening the door to jobs relocated from Atlanta in the future. AT&T is also in the process of filling vacant space in company-owned property in the City with jobs from other parts of the region and country. In early 2007, the City finalized an arrangement with AT&T to build out a city-wide WIFI system at no cost to the City. Federated Department Stores completed the transition of May Company and related store operations to Federated branding. The downtown department store remains open as a Macy's and Federated's new Macy's Midwest division is located in the former May Company headquarters in downtown St. Louis.

- The burgeoning market for urban living throughout the City's neighborhoods has not only resulted in the City's first population growth in more than four decades but has also attracted retail development in the City's traditional neighborhood commercial districts. Corner storefronts in Benton Park and along Morganford continue to be reborn as avant garde restaurants and retailers. South Grand continues to grow as the City's Asian ethnic business district, with restaurants, retailers and grocers. The Bosnian community has firmly established itself in the southeastern section of the City and has opened a variety of ethnic restaurants, retail stores, and groceries in this area. Lindell Plaza, newly reinvigorated following its initial construction in the mid-1980s, is now home to an Office Depot and a Qdoba. A City resident and suburban retail developer is moving forward with plans for a "new urbanist" office and retail complex in the Tower Grove East neighborhood. The new Walgreens is now under construction in MLK Plaza located a short distance from downtown St. Louis, and the area across from the former and newly renovated City Hospital will now be home to a City Market—a new urban concept grocery being introduced in St. Louis by a national grocery chain—as well as a variety of other retailers and office users.

Significant numbers of loft-style apartments and condominiums continue to be developed in downtown St. Louis. Loft development also is expanding into other City neighborhoods where historic buildings suitable for adaptive reuse still exist. Response to both loft product and new luxury non-loft product has been positive, and the new residential population is improving both the retail and office markets in downtown. Several developers are planning the construction of new residential towers. The number of newly constructed and substantially rehabilitated homes has dramatically increased in many of the City's neighborhoods. In calendar year 2001 through calendar year 2006, approximately 23,000 new and substantially rehabilitated homes were produced in the City. This represents a 13% reconstruction, replacement or addition to the 178,000 homes in the City that were counted in the 2000 census.

Improvement in the downtown environment is also translating into greater attractiveness as a convention and tourism destination, as former eyesores are transformed into historically rehabilitated businesses, homes and stores. The change in the nine-block Old Post Office District immediately south of the America's Center convention facility and the headquarters Renaissance Hotel has been particularly dramatic. The Old Post Office reopened in early 2006 as a new home for Webster University, the Missouri Court of Appeals, other state offices and several businesses. In addition, the Paul Brown and Board of Education Buildings reopened as new rental lofts and retail space. A new parking facility is under construction and the rehabilitation of the Syndicate Trust Building is approximately 50% complete. St. Louis Center and the One City Center Office Tower have been acquired by new owners who plan to reconfigure and convert the Center to street level retail and condominiums. Immediately east of the Convention Center, the new Pinnacle Entertainment gaming and hotel development is now fully under construction, with an expected opening date of November 2007. Pinnacle has also announced plans for a new $500 million mixed use development on the riverfront, immediately east of the gaming and hotel property.

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

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

The region and the City are now preparing for the $500 million reconstruction of a segment of Highway I-64 from Spoede Road in St. Louis County to a point west of downtown St. Louis. Since downtown St. Louis is not included in the construction zone and a variety of interstate highways (I-70, I-44 and I-55, in addition to I-64) converge in downtown, downtown is not expected to suffer serious negative impact. Nevertheless, City leaders are working with the regional council of governments and the Downtown Partnership to ensure that the City's roadways and signalization system are well-prepared for the commencement of full construction of the City segment in January 2009, and the City has received a special $3 million grant from the regional council of governments to assist in this process. Reconstruction of the Jefferson Avenue Viaduct and the new Multimodal station will be completed by the end of 2008, paving the way for both more efficient public transit use and detouring during the construction period. The completion of this major I-64 reconstruction project will eliminate the need for major construction in this stretch of I-64 for years to come and will enhance both the efficiency and attractiveness of this entranceway into the City.

Economic Development

Since 2002, there has been more than $3.3 billion of development completed in the City. Recently completed projects include the new Busch Stadium, the Old Post Office, the CORTEX Building, and Soulard Market Apartments. A number of neighborhood development projects are also planned or underway. Construction is either underway or soon to begin on nearly $4.9 billion of additional developments.

<u>Completed Major Development Projects</u>

The following table lists information regarding completed major development projects in Downtown St. Louis totaling more than $2 billion completed since 2002:

Project Name	Project Type	Estimated Cost Of Project	Completion Date
10th Street Lofts	Renovation	$ 10,800,000	2002
703 N. 13th (Elder Shirt Lofts)	Renovation	6,000,000	2002
City Criminal Justice Center	New Construction	91,000,000	2002
Drug Enforcement Agency	New Construction	25,000,000	2002
Gateway Classic FNO	New Construction	1,800,000	2002
Cupples Station Garage	New Construction	10,000,000	2002
Terra Cotta Loft Condos & Garage	Rehab/New Constr.	25,000,000	2003
Convention Headquarters Hotel	Rehab/New Constr.	270,000,000	2003
Rudman on the Park	Renovation	8,000,000	2003
Wash. Ave. Streetscape- Phase I	Renovation	11,000,000	2003
A. G. Edwards	New Construction	100,000,000	2003
300 N. Tucker Blvd.	Office Rehab	12,000,000	2003
1206 Washington (Kwame)	Renovation	4,000,000	2003
Parastyle Loft Bldg.	Rehabilitation	2,800,000	2003
Hampton Inn/333 Washington Ave.	Renovation	18,600,000	2003
Phyllis Wheatley Apt. (2700 Locust)	Rehabilitation	7,300,000	2004
7th & Olive Garage	New Construction	14,500,000	2004
REACT Office (1120 S. 6th)	Renovation	1,800,000	2004
Merchandise Mart Apartments	Renovation	47,000,000	2004
1110 Washington (Vanguard Lofts)	Renovation	15,000,000	2004
Louderman Condos	Renovation	15,100,000	2004
20/20 Washington Condos	Renovation	21,000,000	2004
Lofts @ 315 (20 Lofts)	Renovation	5,000,000	2004
Hilton Hotel (Merchants-Laclede)	Renovation	25,000,000	2005

Project Name	Project Type	Estimated Cost Of Project	Completion Date
Bell Lofts (920 Olive St.)	Renovation	$ 5,000,000	2005
Roberts Lofts (Bd. Of Ed. Bldg)	Renovation	14,000,000	2005
Police Headquarters Addition	New Construction	10,000,000	2005
Washington Ave. Streetscape (Phase II)	Renovation	6,000,000	2005
1324 Washington Ave. (Grace Lofts)	Renovation	9,800,000	2005
1312 Washington (Garment Lofts)	Renovation	3,260,000	2005
1619 Washington (Railway Lofts)	Renovation	12,500,000	2005
1709 Washington (King Bee Condos)	Renovation	3,900,000	2005
Paul Brown Bldg. Apartments	Renovation	46,000,000	2005
1601 Washington Ave. (Windows Lofts)	Renovation	15,800,000	2005
1601 Locust St. (Printers Lofts)	Renovation	15,800,000	2005
Terra Cotta Annex	Renovation	19,000,000	2005
1113-21 Locust St. (Residential & Commercial Condos)	Rehabilitation	7,500,000	2005
Marriott Residence Inn	New Construction	23,800,000	2005
Security Building	Renovation	13,200,000	2005
Old Post Office	Renovation	77,000,000	2006
New Busch Stadium	New Construction	386,000,000	2006
2300 Locust St. (NSI Bldg)	Rehabilitation	12,300,000	2006
Majestic Stove Lofts (120 units)	Rehabilitation	24,700,000	2006
410 N. Jefferson (Westgate) Condos	Renovation	12,800,000	2006
Cupples Station Apartments	Renovation	41,000,000	2006
Pet Building (Pointe .400)	Renovation	36,488,000	2006
1136 Washington Ave. (The Meridian Building)	Rehabilitation	25,400,000	2006
Marquette Building Condos/Apts.	Rehab	54,000,000	2006
Moon Bros. Lofts (1706 Delmar)	Rehab	10,670,000	2006
1300 Convention Plaza Apts.	Renovation	7,900,000	2006
Bee Hat Bldg. Lofts (36 rental apts.)	Rehab	11,100,000	2006
Adler Lofts (2035-2101 Washington)	Renovation	9,000,000	2006
Lucas Lofts (106 condos)	Rehab	22,000,000	2006
Fashion Square Multi-Use	Rehab	29,000,000	2006
Barton Street Lofts	Renovation	2,800,000	2006
2017 Chouteau Ave.	Rehab	2,722,396	2006
Hilton at the Ballpark	Rehab	45,000,000	2006
Bethesda (BLU) Town House	Rehab	18,500,000	2007

Source: St. Louis Development Corporation

Completed Neighborhood Projects

The following table lists information regarding completed major development projects in St. Louis Neighborhoods totaling more than $1.3 billion completed since 2002.

Project Name	Project Type	Estimated Cost Of Project	Completion Date
Vashon High School	New Construction	$ 50,000,000	2002
Wireworks	Renovation	8,600,000	2002
Continental Building	Renovation	23,500,000	2002
BJC Health System – Phase I	New/Rehab	225,000,000	2002
Lofts at Lafayette Square	Renovation	15,600,000	2002
Gravois Plaza	New Construction	17,000,000	2002
U. S. Paint Expansion	New Construction	5,700,000	2002
Tech Electronics	New Construction	4,500,000	2002
Crown Lofts	Rehabilitation	4,600,000	2002
Parkway Hotel/Wash U. Med Center	New Construction	25,000,000	2003
Maison Lofts (Euclid/Washington)	Adaptive Reuse	5,500,000	2003
MLK Plaza	New Construction	7,000,000	2003
M Lofts (40 units)	Renovation	10,000,000	2003
Murphy Park Apartments III	New Construction	20,000,000	2003
Coronado Hotel	Renovation	27,300,000	2003
Homer G. Phillips Apts.	Renovation	42,000,000	2003
Contemporary Art Gallery	New Construction	7,000,000	2003
Cardinal Ritter College Prep High	New Construction	15,000,000	2003
Forest Park Hotel/Apartments	Renovation	17,000,000	2003
4301 Natural Bridge (Retail)	Rehab/New Constr.	3,500,000	2003
Riverbend Apartments	Renovation	7,850,000	2004
Smile Apartments (9^{th} & Allen)	Renovation	3,725,000	2004
61xx Delmar Blvd. (Joe Edwards)	Renovation	5,700,000	2004
St. Vincent Homes	New Construction	25,000,000	2004
JVL Renaissance II	Renovation	11,200,000	2004
Gaslight Square Citirama (Phase I)	New Construction	6,800,000	2004
Volpi & Co. (5245 Northrup)	New Construction	4,000,000	2004
Lindell Towers/Moolah Temple	Renovation	42,000,000	2004
Lister Building (4500 Olive)	Renovation	3,750,000	2004
St. Louis Place Park Homes	New Construction	3,600,000	2004
Tarlton Construction Hdqtrs.	New Construction	3,500,000	2004
6134 Virginia Ave. Condos	Rehabilitation	2,400,000	2004
Coleman/Bacon-Habitat (26 homes)	New Construction	2,500,000	2004
6238-48 Sunshine Dr. (24 condos)	New Construction	3,348,000	2004
Metro Lofts (4531 Forest Park)	New Construction	36,400,000	2004
6 North Sarah Apartments	New Construction	12,400,000	2004
2216 Sidney (12 loft condos)	Renovation	2,000,000	2004
Walter Knoll Florist	Rehab/New Constr.	3,000,000	2004
Forest Park Restoration	Renovation	86,000,000	2004
1141-51 S. 7^{th} St.(Art of Living)	Renovation	6,500,000	2005
The Lofts @ The Highlands	New Construction	35,000,000	2005
Nooter Const. Office Complex	New Construction	6,600,000	2005
1530 S. 2^{nd} St. Industrial	Rehabilitation	3,000,000	2005

Project Name	Project Type	Estimated Cost Of Project	Completion Date
S. Grand "Anderson Garage"	Renovation	$ 9,600,000	2005
Southtown Centre	New Construction	30,000,000	2005
3222 Locust St. (Bi-Polar Condos)	Renovation	5,580,000	2005
Shenandoah Place Condos	Renovation	1,600,000	2005
Target Store at Chippewa & Hampton	New Construction	14,700,000	2005
Hampton Inn @ The Highlands	New Construction	14,000,000	2006
Soulard Market Apartments	Rehabilitation	30,000,000	2006
1517 S. Theresa School Bldg. Apts	Renovation	9,000,000	2006
CORTEX Building	New Construction	36,000,000	2006
Sprinkler Fitters #268 Training Ctr.	New Construction	2,900,000	2006
Soda Fountain Square Building	New Construction	6,000,000	2006
Roosevelt Senior Apartments (154)	Rehab	4,344,196	2006
Centene Center for the Arts (3547 Olive St.)	Rehab	7,000,000	2006
Washington Apartments (600 N. Kingshighway (99 apts)	Rehab	13,800,000	2006
Barton St. Lofts	Rehab	2,800,000	2006
2500 S. 18th St. Apts.	Rehab	3,800,000	2006
Harris-Stowe College Expansion II	New Construction	16,000,000	2006
Maryland Plaza South	Renovation	20,500,000	2006
Blumeyer Apts. Phase II	New Construction	16,144,000	2006
Mullanphy Square – Phase III	New Construction	2,500,000	2006
City Hospital Condos	Renovation	28,000,000	2006
4200 Lindell Condos	Renovation	6,000,000	2006
Sensient Colors, Inc. Expansion	New Construction	7,900,000	2006
Gaslight Square East	Rehab/New Constr.	19,450,000	2006
4440-48 Olive – Menamorphi Concepts (14 condos)	Rehab	1,900,000	2006
Delmar/Euclid/Enright (154 Apts)	Rehab	4,344,196	2006
4140 Lindell Blvd.	Rehab	1,400,000	2006
Netherby Hall condos (26 units)	Rehab	7,000,000	2006
Warehouse of Fixtures (Univ. Apts)	Renovation	53,500,000	2006
The Loop Lofts (106 rentals)	Renovation	23,680,000	2006

Source: St. Louis Development Corporation

Projects Planned Or Under Construction

The following table lists information regarding major development projects, totaling approximately $4.9 billion, currently planned or under construction in the City:

DOWNTOWN PROJECTS PLANNED OR UNDER CONSTRUCTION
($3.3 BILLION)

Project Name	Project Type	Estimated Cost Of Project	Completion Date
904 S. 4th St. (Commercial Use)	Rehab	$ 2,500,000	2007
Neighborhood Gardens Apts.	Rehabilitation	10,335,970	2007
2001 & 2035 Lucas St. (32 apts.)	Rehabilitation	8,000,000	2007
Pinnacle Entertainment Casino	New Construction	485,000,000	2007
Ely Walker Lofts (168 Condos)	Rehab	44,200,000	2007
West Town Lofts (83 Condos)	Rehab	18,600,000	2007
Packard Lofts (35 Condos)	Rehab	7,800,000	2007
1113-21 Locust St. (condos)	Rehab	7,500,000	2007
1635 Washington Ave. (96 Condos)	Rehab	20,900,000	2007
Syndicate Trust Bldg. (91 condos/84 rental units)	Rehab	81,600,000	2007
2107 Lucas Ave. Loft Apts	Rehab	8,360,000	2007
9th St. Garage (1065 spaces)	New Construction	33,000,000	2007
Ludwig Lofts (17 loft apts.)	Rehab	7,100,000	2007
1100 Clark (Commercial)	Rehab	2,000,000	2007
1235 Washington (Avenida)100 condos	Rehab	18,000,000	2007
700 Market St. (Commercial)	Rehab	7,500,000	2007
The Bogen (1201 Washington Ave.) (126 Condos)	Rehab	25,000,000	2007
Denim Lofts (Knickerbocker)	Rehabilitation	5,000,000	2007
2223 Locust (100 rental units)	Rehabilitation	15,000,000	2007
Cochran Gardens (266 units)	New Construction	21,365,000	2007
Washington East Condos	Rehabilitation	60,300,000	2007
East Bank Lofts	Rehabilitation	11,000,000	2007
Multi-Modal Station	New Construction	25,000,000	2007
1133 Washington Ave. Apartments	Renovation	9,900,000	2007
Ballpark Lofts (174 condos)	Rehab	71,000,000	2008
Jefferson Arms (360 apts.)	Rehab	80,000,000	2008
600 Washington (St. Louis Centre) (Dillards)(260 condos & 150 apts)	Rehab	205,000,000	2008
Park Pacific (129 condos & 30 apts)	Rehab/New Constr.	125,500,000	2008
Tudor Bldg/1818 Washington (50 apartments)	Rehab	25,500,000	2008
Radisson Hotel	Rehab	12,000,000	2008
Federal Reserve Bank Expansion	Rehab/New Constr.	80,000,000	2008
Port St. Louis (49 Condos)	New Construction	25,000,000	2008
721 Olive St. (Chemical Bldg) (32 condos/64 rental units)	Rehab	23,111,443	2008
The Foundry (1911 Locust St.)	Rehab	4,300,000	2008

Project Name	Project Type	Estimated Cost Of Project	Completion Date
Leather Trades Bldg (1600 Locust)	Rehab	$ 23,100,000	2008
612,614,618 S. 7th St. (Paddy O's)	Renovation	3,665,000	2008
1401 Pine St. (Ford Condominiums)	Renovation	9,000,000	2008
2800 N. 9th St. (Hotel)	New Construction	2,500,000	2009
Gentry's Landing (Apts. & Condos)	Rehab/New Constr.	114,000,000	2009
Ballpark Village (Phase I)	New Construction	650,000,000	2009
1400 Washington (166 condos)	New Construction	15,100,000	2009
Arcade Bldg. (810 Olive St.)	Rehab	132,000,000	2010
Mississippi River Bridge	New Construction	910,000,000	2011

NEIGHBORHOOD PROJECTS PLANNED OR UNDER CONSTRUCTION
($1.6 BILLION)

Project Name	Project Type	Estimated Cost Of Project	Completion Date
Renaissance on Grand Apts.	New Construction	$ 21,600,000	2007
Dogtown Walk II	New Construction	2,700,000	2007
Lafayette Square Walk	New Construction	11,100,000	2007
21-59 Maryland Plaza Condos	Renovation	10,200,000	2007
Maple Acres – Phase II	New Construction	4,000,000	2007
Union West Homes – Cote Brilliante	New Construction	1,800,000	2007
Near Southside Mixed Use	New Construction	150,000,000	2007
Catlin Townhomes	New Construction	2,800,000	2007
Southside National Bank Condos	Renovation	2,162,226	2007
Mississippi Place	New Construction	4,500,000	2007
Loughborough Commons	New Construction	40,000,000	2007
5700 Arsenal St.	New Construction	15,000,000	2007
Dash Building	Rehabilitation	6,000,000	2007
Grant School Apts. (27 units)	Rehabilitation	7,500,000	2007
E. Steins/S. Broadway (40 condos)	Rehabilitation	1,600,000	2007
6400-16 Wise Ave. (Mixed UseBldg)	New Construction	3,100,000	2007
2009-23 Chouteau (Retail,Offfice,)	Rehabilitation	2,700,000	2007
Park East Tower Condos	New Construction	50,000,000	2007
MLK Plaza (Phase II)	New Construction	7,500,000	2007
2301-45 & 2304-06 Hebert St. (10 homes)	New Construction	1,300,000	2007
Murphy Blair III	Rehabilitation	5,600,000	2007
Lafayette Town Family/Elderly Apts	Rehabilitation	6,000,000	2007
JVL 16 Apartments (76 units)	Rehabilitation	4,400,000	2007
Tiffany Apts. (60 units)	Rehabilitation	2,700,000	2007
St. Louis Children's Hosp. Expansion	New Construction	75,000,000	2007
Washington U. Doctors Building	New Construction	40,000,000	2007
Automobile Row	Rehabilitation	34,000,000	2007
Vail Place Condos	New Construction	8,000,000	2007
Sullivan/Dodier St. Elderly Apts.	New Construction	21,600,000	2007
2201 S. Grand (30 condos)	New Construction	9,600,000	2007
Franklin School (814 N. 19th St.)	Rehab	9,000,000	2007

Project Name	Project Type	Estimated Cost Of Project	Completion Date
4218 & 4229 Maryland (6 new homes & renovation)	New Construction/ Rehab	$ 2,400,000	2007
St. Louis Place Brewery (Phase II)	Rehab	15,000,000	2007
Southside Nat'l Bank Bldg. (Phase I)	Rehab	6,700,000	2007
3949 Lindell (Salad Bowl)	New Construction	26,500,000	2007
4466 Olive St. (Field School)	Rehab	9,359,300	2007
4545 Lindell Blvd. (38 condos)	New Construction	28,000,000	2007
Metropolitan Lofts (63 condos)	Rehab	27,000,000	2007
Betty's Walk (9 homes)	New Construction	1,500,000	2007
Washington Apartments (99 apts)	Rehab	13,800,000	2007
The Loop Center North Office/Retail	New Construction	7,213,665	2007
5819 Delmar Housing Dev. (36 cond)	New Construction	7,300,000	2007
The Restaurant Depot (4910 Manchester)	New Construction	9,000,000	2007
2351 Lafayette (Commercial)	New Construction	2,100,000	2007
Davison/Beacon Residential	New Construction	2,500,000	2007
Euclid/Buckingham Garage	New Construction	5,200,000	2007
The Union Club (39 condos)	New Construction	11,600,000	2007
3800-16 Shenandoah (12 condos)	Rehab	2,870,000	2007
Fox Park/McKinley Heights Condos	Rehab	4,200,000	2007
Hy-C Company Expansion	New Construction	1,200,000	2007
Lehman Properties	New Construction	3,100,000	2007
Labadie/Lambdin Project (10 homes)	New Construction	1,608,300	2007
2745 Locust St.	New Construction	1,900,000	2007
4218 W. Pine Blvd. (2 condos)	Rehab	1,440,679	2007
Community Health Insurance Partnership (Wellness Center)	New Construction	4,200,000	2007
Solae Headquarters	New Construction	40,000,000	2007
Science Applications Int'l Corp.	Rehab	1,200,000	2007
Middendorf Meat Company	New Construction	7,850,000	2007
Bissinger's Candy Expansion	New Construction	1,300,000	2007
Compton Gate Condos (36 units) (2201 S. Grand)	New Construction	10,000,000	2007
2200 Gravois (16 apts)	Rehab	8,000,000	2007
Bacon St./St. Louis Ave. (20 homes)	New Construction	2,400,000	2007
4245 Forest Park (Commercial)	Rehab	5,000,000	2007
5435-75 Cabanne (102 apts)	Rehab	18,000,000	2007
3830 & 3838 Park Ave. (36 apts)	Rehab	4,600,000	2007
Walgreen's (Grand/Cozens)	New Construction	5,100,000	2007
Roberts Commons(Delmar/Euclid)	New Construction	50,000,000	2007
St. Louis U. Research Center	New Construction	80,500,000	2007
Drury Hotel (Hampton/Wilson)	New Construction	14,000,000	2007
1557/1601-45 Jefferson Ave. (Shopping Strip & 19 homes)	New Construction	9,300,000	2008
W. Pine/Euclid Condos	New Construction	150,000,000	2008

Project Name	Project Type	Estimated Cost Of Project	Completion Date
The Loop Hotel (120 rooms)	New Construction	$ 19,600,000	2008
Mississippi Bluffs (56 condos)	New Construction	25,000,000	2008
Nooter Site Improvements	Rehab/New Constr.	7,500,000	2008
Proctor & Gamble Expansion	New Construction	60,000,000	2008
CHIPS New Building (2711 N. Grand)	New Construction	4,000,000	2008
Magnolia Square (25 houses) (former St. Aloysious Church)	New Construction	6,400,000	2008
4100 Forest Park	Rehab	39,400,000	2008
Lindell Condos (200 units)	New Construction	93,600,000	2008
St. Louis U. Arena	New Construction	80,000,000	2008
5350-5428 Delmar (40 townhomes)	New Construction	7,000,000	2008
Forest Park Southeast Scattered Sites	Rehab	21,211,388	2008
Habitat for Humanity (20 new homes)	New Construction	2,500,000	2008
Renaissance Place at Grand (Phase IV) Page/MLK/Compton	Rehab	20,320,110	2008
Roberts Place Homes (5335-5425 Enright) 24 new homes	New Construction	12,000,000	2008
Enright School (70 apartments) at 800 Arlington	Rehab	18,000,000	2008
13th St./Warren St./Wright St. (94 rental units/commercial	New Construction	25,883,600	2008
Salisbury/N.23rd Scattered Sites (new homes and 67 rental units)	New Construction	19,600,000	2008
Chase Park Plaza	Renovation	140,000,000	2008
Winston Churchill Apts. (100 apts)	Rehab	12,000,000	2008
Blumeyer (Phase IV)	New Construction	21,000,000	2008
BalkeBrown Industrial Site (6504 Prescott Ave.)	New Construction	19,300,000	2008
5888-98 Delmar Blvd.	Rehab	3,226,843	2008
1400 S. Third St. (Kirberg's)	Rehab	2,000,000	2008
3320-30 N. Kingshighway (65 apts.)	Rehab	2,600,000	2008
3907 Wharf St. (Lot 1)	New Construction	8,000,000	2008
3907 Wharf St. (Lot 2)	New Construction	13,500,000	2008
500 N. Grand (Hyatt Place Hotel)	Renovation	15,000,000	2008
8024-8100 Water St. Commercial Expansion	New Construction	1,490,000	2008
7900 Van Buren St. Expansion Commercial Expansion	New Construction	5,000,000	2008
Forest Park Scattered Sites IV	Renovation	4,000,000	2008
5540 W. Park, 1249, 1319-25 Macklind Ave.	New Construction	6,000,000	2008
Melba Theatre Retail	Rehab	1,785,000	2008
4239 Lindell Blvd.	Renovation	1,400,000	2008

Project Name	Project Type	Estimated Cost Of Project	Completion Date
Grand & Shenandoah	Renovation & New Construction	$ 7,000,000	2008
Juniata/S. Grand (50 condos)	New Construction	15,100,000	2008
3708 S. Grand (87 apts. For elderly)	New Construction	12,000,000	2008
Lincoln Ave./Cottage/N. Sarah St. (15 new homes)	New Construction	3,351,200	2008
St. Louis Art Museum Expansion (Phase I)	Renovation	50,000,000	2009
The Cascades (125 units)	New Construction	25,000,000	2009
Mark Twain Scattered Sites (24 new homes)	New Construction	3,146,200	2009
Broadway Business Center (Carondelet Coke Site)	New Construction	43,000,000	2009
Patch Scattered Sites III Area	New Construction	1,253,373	2009
100 N. Euclid Ave. (155 apts.)	New Construction	49,174,653	2009

FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

Introduction

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

Accounting and Reporting Practices

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

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

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

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

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

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

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

Enterprise Funds -- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily though user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

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

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

Budget Process

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

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

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

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

Should the Board of Estimate and Apportionment 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. The City's Comprehensive Annual Financial Report for Fiscal Year 2005 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA"). This was the eighteenth year the City has received this prestigious award. The Certificate of Achievement is awarded to recognize a governmental unit that published an easily readable and efficiently organized comprehensive annual report that meets both generally accepted accounting principles and applicable legal requirements. The GFOA presented an award of Distinguished Presentation to the Budget Division, City of St. Louis for its annual budget for the Fiscal Year beginning July 1, 2006. This award is given in recognition of a government unit that publishes a budget document that meets program criteria as a policy document, an operations guide and as a communicative device.

At present, the City utilizes a fully computerized Accounting Information Management System (the "AIM System"). The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides

(1) integrated general and subsidiary accounting of all funds, (2) appropriation/encumbrance accounting and controls, and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

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

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

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

Cash Management

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

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

General Revenue Fund

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

General Revenue Fund Expenditures

The following table is a combined statement of revenues, expenditures and changes in fund balances on an accrual basis for the Fiscal Years 2002 through 2006.

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)

	2006	2005	2004	2003	2002
Revenues					
Taxes	$323,848	$308,836	$294,387	$310,932	$313,482
Licenses & Permits	20,009	18,597	16,960	15,942	15,691
Intergovernmental Aid	25,331	25,593	22,531	13,082	12,175
Charges for Services, net	16,301	14,747	15,810	12,340	12,283
Court Fines & Forfeitures	7,893	8,773	8,906	8,680	8,200
Investment Income	5,800	1,749	1,621	2,260	3,544
Interfund Services provided	4,009	4,519	3,921	4,476	4,864
Miscellaneous	4,265	2,766	4,263	7,499	4,367
Total Revenues	$407,456	$385,580	$368,399	$375,211	$374,606
Expenditures					
General Government	$53,941	$ 41,651	$ 43,036	$ 42,474	$ 39,043
Convention & Tourism	204	1,795	199	2,201	2,219
Parks and Recreation	18,667	18,279	18,501	18,184	17,765
Judicial	40,427	40,478	40,059	41,603	39,393
Streets	27,930	28,000	28,695	30,005	31,680
Public Safety	230,814	218,927	223,776	216,095	205,618
Health and Welfare	3,511	2,941	4,989	2,705	11,332
Public Services	23,122	21,401	22,131	24,283	22,868
Capital Outlay	-	-	-	-	15
Debt Service	16,925	27,000	19,832	30,060	26,209
Total Expenditures	$415,541	$400,472	$401,218	$407,610	$396,142
Excess of Revenues Over (Under) Expenditures					
Other Finance Sources/(Uses)	$(8,085)	$(14,892)	$(32,819)	$(32,399)	$(21,536)
Issuance leasehold revenue bonds	-	-	-	141,975	65,348
Premium on leasehold revenue bonds	-	-	-	11,251	1,935
Payment refunded o Bond Escrow Agent	-	-	-	(149,808)	(62,789)
Transfers In	18,536	20,386	24,458	21,025	18,686
Recovery of legal judgment	-	-	2,972	-	-
Transfers Out	(2,954)	(2,603)	(1,419)	(3,249)	(9,802)
Total Other Financing Sources (Uses)	$15,582	$17,783	$26,011	$21,194	$13,378
Excess of Revenues & Other Finance Sources					
Over (Under) Expenditures & Other Uses	7,497	2,891	(6,808)	(11,205)	(8,158)
Fund Balances (Beginning of Fiscal Year)	72,797	69,906	76,714	87,919	96,077
Fund Balances (End of Fiscal Year)	$80,294	$72,797	$69,906	$76,714	$87,919

Source: Audited Financial Statements.

The following table shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for the Fiscal Years 2004 through 2006.

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

	2006	**2005**	**2004**
Revenues			
Taxes	$329,956	$313,108	$318,813
Licenses & Permits	19,504	18,597	17,165
Intergovernmental Aid	19,766	17,979	6,788
Charges for Services	20,736	19,954	20,243
Court Fines & Forfeitures	4,109	4,730	5,378
Interest	2,079	680	76
Miscellaneous	3,414	2,910	3,163
Total Revenues	$399,564	$377,958	$371,626
Expenditures			
General Government	$41,603	$ 42,829	$ 41,424
Convention & Tourism	208	1,797	1,895
Parks & Recreation	19,343	18,208	18,407
Judicial	41,475	40,102	40,216
Streets	28,058	28,104	28,569
Public Safety	101,542	91,244	94,083
Police	133,247	129,754	128,136
Health & Welfare	3,590	2,719	5,113
Public Services	23,069	21,447	22,141
Debt Service	9,901	22,398	374
Total Expenditure	$402,036	$398,602	$394,358
Excess of Revenues Over (Under) Expenditures	(2,472)	(20,644)	(22,732)
Other Financial Sources (Uses):			
Transfers In	$25,202	$21,461	$18,665
Transfers Out[1]	(11,667)	(2,639)	(3,327)
Total Other Finance Sources (Uses)	$13,535	$18,822	$15,338
Excess of Revenues & Other Finance Sources Over (Under)			
Expenditures & Other Finance Uses	$11,063	$(1,822)	$(7,394)
Fund Balances (Beginning of Fiscal Year)	11,215	13,037	20,431
Fund Balances (End of Fiscal Year)	$22,278	$11,215	$13,037

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

GENERAL REVENUE RECEIPTS

General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years 2004 through 2006.

	Fiscal Year		
	2006	**2005**	**2004**
TAXES:			
Earnings	31.67%	30.78%	31.03%
Franchise	12.70	13.04	13.39
Sales	11.38	11.52	11.51
Gross Receipts	3.06	2.96	3.00
Motor Vehicle Sales Tax	0.89	0.89	0.90
Real Estate	8.37	8.15	8.15
Personal Property	2.41	2.78	2.89
Payroll	8.72	7.91	8.07
Other Taxes	0.14	0.36	0.18
Total Taxes	79.34	78.39	79.12
License Fees	4.68	4.66	4.39
Departmental Receipts	12.03	11.54	11.71
27th Pay Reserve Transfers	-	0.04	-
Transfers	3.95	5.37	4.78
	100.00%	100.00%	100.00%

Source: City Comptroller's Office.

Earnings Tax

The City's Earnings Tax is the most significant single source of General Revenue Fund revenues, representing approximately 31% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2006. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and is imposed on the gross income of individuals and of net profits of businesses within the City. The current rate of 1% has been in effect since 1959.

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

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The City's General Fund Earnings Tax revenue for the Fiscal Years 2002 through 2006 was as follows:

Fiscal Year	Earnings Tax
2002	$121,656,641
2003	122,206,236
2004	121,111,509
2005	122,941,515
2006	131,735,560

Source: City Comptroller's Office.

Franchise Tax

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

The City's General Fund Franchise Tax revenue for the Fiscal Years 2002 through 2006 was as follows:

Fiscal Year	Franchise Tax
2002	$51,581,018
2003	52,153,791
2004	52,271,960
2005	52,083,765
2006	52,851,002

Source: City Comptroller's Office.

Sales and Use Tax

A City sales tax, which was authorized by the Missouri General Assembly and was approved by voters at an election held in 1969, is collected on a monthly basis by the State of Missouri along with the State sales tax and is remitted to the City by the 10th of the following month. The current sales tax rate is 7.741%, which includes both the State and the City portions of the sale tax. A portion of revenue collected from the tax goes to the Metropolitan Park and Recreation District as do funds from other counties which have a similar tax. A portion of the tax revenues is placed in a special fund, the "Metro Parks Trust Fund" for local park improvement.

St. Louis Public Schools receive .666% of the sales tax rate. Effective April 1, 2007, City voters passed an increase to the tax rate of .125% to be used for City parks and recreation.

In addition, the City imposes a use tax that is earmarked to provide funds for the development and preservation of affordable and accessible housing, public health care services and building demolition. The current use tax rate is 6.95%. A use tax return need not be filed by persons who spend less than $2,000 on purchases from out of State in any calendar year. The use tax revenues are revenues of a special revenue fund, and not part of the general fund.

The City's General Fund Revenue Sales Tax receipts for the Fiscal Years 2002 through 2006 were as follows:

Fiscal Year	Sales Tax
2002	$47,555,507
2003	46,280,903
2004	44,916,621
2005	46,013,082
2006	47,346,639

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) restaurant tax.

The City's Gross Receipts Tax revenue for the Fiscal Years 2002 through 2006 was as follows:

Fiscal Year	Gross Receipts Tax
2002	$12,236,354
2003	11,982,766
2004	11,566,876
2005	11,826,756
2006	12,748,707

Source: City Comptroller's Office.

Motor Vehicle Sales Tax

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

The City's General Fund Motor Vehicle Sales Tax revenue for the Fiscal Years 2002 through 2006 was as follows:

Fiscal Year	Motor Vehicle Sales Tax
2002	$3,868,712
2003	3,364,018
2004	3,522,049
2005	3,563,374
2006	3,573,545

Source: City Comptroller's Office.

Real and Personal Property Taxes

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

	Real Property[1]		Personal Property[1]			
Calendar Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Manufacturers' Inventory Value[2]	Total Assessed Value
2002	$2,059,506,810	$8,616,895,464	$811,285,903	$2,436,294,003	$305,359,625	$3,176,152,338
2003	2,277,100,961	9,611,957,762	789,866,491	2,371,971,444	296,768,056	3,363,735,508
2004	2,310,268,668	9,741,401,301	770,103,724	2,312,623,796	285,352,828	3,365,725,220
2005	2,802,683,651	12,127,086,889	789,536,333	2,370,979,979	290,522,619	3,882,742,603
2006	2,839,458,315	12,323,639,135	767,274,268	2,304,126,931	286,014,328	3,892,746,911

Source: [1] City Assessor's Office.
[2] City License Collector's Office.

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

Calendar Year	Commercial	Residential	Total Real Property
2002	$3,248,435,938	$5,368,459,526	$8,616,895,464
2003	3,467,915,278	6,144,042,484	9,611,957,762
2004	3,533,864,775	6,207,536,526	9,741,401,301
2005	3,834,901,094	8,292,185,795	12,127,086,889
2006	3,830,514,456	8,493,124,679	12,323,639,135

Source: City Assessor's Office.

The tax rate levied on real and personal property during the Fiscal Year 2006 was $1.3262 per $100 of assessed valuations and during the Fiscal Year 2005 was $1.3074 per $100 of assessed valuations. The collection rate for the Fiscal Year 2006 was 86.1% compared to the rate of 90.7% for the Fiscal Year 2005. 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 2002 through 2006, on a cash basis, was as follows:

Fiscal Year	Real Property	Personal Property
2002	$29,274,005	$12,206,249
2003	29,729,948	12,051,536
2004	31,133,552	11,308,831
2005	32,535,672	11,117,309
2006	34,108,578	10,019,639

Source: City Comptroller's Office.

Payroll Tax

Voters approved a Payroll Tax in 1988. The Payroll Tax is 1/2 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 2002 through 2006, on a cash basis, was as follows:

Fiscal Year	Payroll Taxes
2002	$35,358,684
2003	31,890,987
2004	31,483,891
2005	31,588,099
2006	36,280,566

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 2002 through 2006, on a cash basis, was as follows:

Fiscal Year	Other Taxes
2002	$1,358,594
2003	1,335,736
2004	1,427,576
2005	1,438,646
2006	1,273,080

Source: City Comptroller's Office

License Fees

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

The City's General Fund license fee revenue for the Fiscal Years 2002 through 2006, on a cash basis, was as follows:

Fiscal Year	**License Fees**
2002	$15,674,582
2003	15,821,888
2004	17,164,611
2005	18,597,181
2006	19,504,418

Source: City Comptroller's Office

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts. Also included in Departmental Receipts is Intergovernmental Aid, Interest Earned, and Miscellaneous Receipts. The City's General Fund Departmental Receipts revenue for the Fiscal Years 2002 through 2006, on a cash basis, was as follows:

Fiscal Year	**Departmental Receipts**
2002	$42,834,930
2003	42,665,267
2004	45,717,274
2005	46,253,141
2006	50,104,137

Source: City Comptroller's Office

Operating Transfers

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

The City's Operating Transfers for Fiscal Years 2002 through 2006, on a cash basis, were as follows:

Fiscal Year	**Operating Transfers**[1]
2002	$19,775,991
2003	24,793,323
2004	18,664,916
2005	21,460,749
2006	16,443,308

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

The Board of Police Commissioners

The Board of Police Commissioners 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 that 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.

The Board of Aldermen 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 courts have 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 17 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 general fund budget, as approved by the Board of Aldermen, was $129,871,255 for Fiscal Year 2005, $135,413,005 for Fiscal Year 2006 and is $131,795,210 for Fiscal Year 2007. 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). Proceeds of the financing were used to purchase, construct and equip three new police stations. The bonds were refinanced in February 2003 and additional proceeds generated were used for further capital improvements. The lease payment obligation is secured by a portion of the ½ cent sales tax earmarked for this purpose. The final lease payment will be made in Fiscal Year 2008. 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 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 in recent decisions, the Missouri Supreme Court has opined that it does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City's ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

INSURANCE

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. Damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by third-party insurance are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims which 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 for judgments and settlements during the Fiscal Years 2002 through 2006 were:

Fiscal Year	Expenditures
2002	$1,726,155
2003	1,392,281
2004	1,577,279
2005	849,533
2006	1,419,180

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 also has enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data.

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

DEBT OF THE CITY

General

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

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

The City is authorized by statute to issue TIF obligations 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. TIF obligations are secured by incremental tax revenues generated from the property and other taxes generated by improvements to the project area. TIF obligations also may be secured by annual appropriations from the City's General Revenue Fund. As part of the St. Louis Marketplace financing, the City covenanted to request annual appropriations from the General Revenue Fund beginning in Fiscal Year 1993 to cover any shortfalls in the payment of debt service on these bonds until such time as the incremental revenues equaled at least 150% of the annual debt service payments on the bonds for five consecutive years. During Fiscal Year 2007, the General Revenue covered a debt service shortfall of $602,099.

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

Tax Increment Financing Projects

The City has entered into several TIF projects. To the extent that the City has issued or will issue TIF revenue bonds to finance the projects, with the exceptions provided below and excepting the potential posed by the One City Centre Component discussed above, such bonds will be paid from taxes generated in the respective tax increment areas and are not anticipated to affect the City's General Fund. Although numerous TIF areas have been approved by the City, to date, TIF revenue bonds or notes have been issued for only 35 projects.

The only TIF project that has been financed with the City's TIF Revenue Bonds is the St. Louis Marketplace (Scullin) TIF project, the cost of which was approximately $15 million. The TIF area for the project was approved on July 20, 1990. In addition, the City's TIF Revenue Bonds were pledged to supplement repayment in the event surplus operating revenues fall short for the Argyle TIF project, which was financed with parking revenue bonds and cost approximately $3 million. The TIF area for this project was approved on December 11, 1998. Also, TIF will supplement the Euclid-Buckingham Parking Fund Revenue Bonds.

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

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

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

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

Project	**Estimated TIF Costs**	**TIF Note**	**TIF Notes Outstanding as of April 30, 2007**	**Issuance Date**
Cupples	$52,200,000	$3,745,000	$1,735,000	10/20/03
Chouteau/Compton	3,600,000	3,240,000	2,240,000	02/28/01
100 North Condominium LLC	400,000	400,000	258,589	07/01/01
Center for Emerging Technology	1,493,000	978,000	650,000	03/27/01
3800 Park	390,000	390,000	382,703	02/26/04
Gravois Plaza	4,049,000	4,049,000	4,049,000	04/01/02
Tech Electronics	900,000	900,000	900,000	01/31/03

Project	**Estimated TIF Costs**	**TIF Note**	**TIF Notes Outstanding as of April 30, 2007**	**Issuance Date**
1505 Missouri	621,100	659,540	654,540	03/21/06
Grand Center	80,000,000	4,710,000	4,710,000	11/30/06
Walter Knoll Florist	1,036,000	1,036,000	979,760	01/01/05
Louderman Building	2,440,400	2,444,400	2,263,103	07/18/06
920 Olive	2,667,732	2,667,732	2,667,732	09/13/04
Paul Brown	3,264,200	3,264,200	3,264,200	01/31/06
1141-1151 S. Seventh St.	1,136,800	1,131,600	1,107,600	12/16/05
Terra Cotta	3,520,000	3,520,000	3,505,000	12/09/05
Southtown	2,333,998	2,333,998	2,333,998	11/09/06
Soulard Market Apartments	4,800,000	2,760,533	2,760,533	10/07/04
Printer Lofts	3,880,000	4,410,000	4,410,000	05/23/06
City Hospital	5,000,000	2,535,000	2,535,000	03/21/07
1601 Washington	3,000,000	3,365,000	3,320,000	11/29/06
1619 Washington	1,583,379	1,930,000	1,910,000	01/05/06
Highlands	2,400,000	2,412,000	2,412,000	03/05/07
Maryland Plaza South	5,367,052	4,133,176	4,133,176	11/21/05
Gaslight Square East	1,500,000	1,770,000	1,770,000	11/01/06
Loughbourgh Commons	11,000,000	11,000,000	11,000,000	01/24/06
2300 Locust	1,800,000	1,800,000	1,768,000	03/31/06
600 Washington	16,961,000	16,961,000	16,961,000	01/09/07

Source: City Comptroller's Office

The following is a list of TIF projects that are still in progress. TIF revenue notes will not be issued for each of these projects until the projects are substantially complete.

Project	**Estimated TIF Costs**	**TIF Area Approved**
4200 Laclede	$925,400	06/20/02
Grace Lofts	1,550,000	02/25/03
1312 Washington Avenue	500,000	04/25/03
2500 S. 18th Street	550,000	07/23/03
Fashion Square	3,700,000	07/23/03
Security Building	3,000,000	03/10/04
Catlin Townhomes	415,000	03/3004
Shenandoah Place	231,540	03/3004
1133 Washington	1,100,000	08/02/04
410 N. Jefferson	1,525,000	08/02/04
Barton Street Lofts	370,000	08/02/04
Warehouse of Fixtures	6,100,000	08/02/04
Maryland Plaza North	1,033,418	08/0504
Marquette Building	3,600,000	12/22/04
1136 Washington	3,650,000	12/22/04
Washington East Condominiums	1,400,000	12/22/04
Bottle District	41,900,000	12/22/04

Project	**Estimated TIF Costs**	**TIF Area Approved**
Automobile Row I	1,800,000	12/22/04
Automobile Row II	3,000,000	12/22/04
1300 Convention Plaza	925,000	01/03/05
Mississippi Place	825,000	01/03/05
5700 Arsenal	1,340,000	02/28/05
Adler Lofts	1,300,000	12/06/04
Dogtown Walk II	415,000	02/28/05
East Bank	1,414,000	02/28/05
Pet Building	3,000,000	04/19/05
4800-5000 Goodfellow	5,652,458	08/03/05
Moon Brothers Carriage Lofts	1,300,000	08/03/05
Switzer Building	1,040,000	08/05/05
1635 Washington	2,330,000	08/05/05
3949 Lindell	3,000,000	08/05/05
Ely Walker Lofts	6,000,000	08/05/05
West Town Lofts	2,400,000	08/09/05
Southside National Bank Building	1,400,000	08/09/05
Packard Lofts	1,300,000	08/09/05
Bee Hat (1021 Washington)	1,350,000	08/09/05
Lindell Condos	7,500,000	01/03/06
5819 Delmar	1,200,000	01/03/06
Delmar East Loop	6,000,000	01/03/06
6175-81 Delmar	2,100,000	01/03/06
Delmar Loop Center North	1,500,000	01/03/06
Syndicate Trust Building	8,200,000	01/18/06
Ludwig Lofts	850,000	03/22/06
Union Club	1,900,000	03/22/06
Park Pacific	20,460,000	08/03/06
2200 Gravois	1,000,000	08/03/06
4100 Forest Park II	6,500,000	06/23/06
Jefferson Arms	6,800,000	08/03/06
Grand/Cozens/Evans	1,200,000	11/11/06
Ballpark Lofts	11,000,000	11/26/06
GEW Lofts	3,200,000	11/26/06
1818 Washington (Tudor Building)	3,600,000	11/26/06
Ballpark Village	3,600,000	02/20/07

Source: City Comptroller’s Office

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Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes ("TRANs") during Fiscal Year 1984. The following table sets forth certain information concerning the issuance of TRANs since Fiscal Year 2003.

Fiscal Year	TRANs Issued During Fiscal Year	As a Percent of General Fund Revenues[1]
2003	$46,000,000	11.67%
2004	50,000,000	12.83%
2005	47,000,000	11.77%
2006	45,000,000	10.59%
2007	36,000,000	8.54%[2]

[1] The percentage is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.
[2] Based on estimated General Fund Revenues.
Source: City Comptroller's Office.

Outstanding Debt

The following table sets forth the principal amount of all bonds, other than the TIF obligations, issued by the City that are outstanding as of April 30, 2007:

Bonds	Amount Outstanding
General Obligation Bonds	$ 54,819,742
Water Revenue Bonds	29,175,000
Parking Revenue Bonds	57,900,000
Airport Revenue Bonds	843,920,000
Total	$ 985,814,742

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 April 30, 2007	Remaining Term in Years	Issue Date
Convention Center Bonds, Series 1993A	$ 2,567,205	8	June 1993
Justice Center Bonds, Series 1996A	2,425,000	2	Aug. 1996
Justice Center Bonds, Series 1996B	15,770,000	7	Aug. 1996
Convention and Sports Facility Project and Refunding Bonds[1]	64,585,000		
(includes Preservation Payments)		16	Feb. 1997
Kiel Site Rev Refunding Bonds, Series 1997A	6,240,000	14	Aug. 1997
Kiel Site Rev Refunding Bonds, Series 1997B	4,355,000	11	Aug. 1997
Firemen's Retirement System Bonds, Series 1998	$10,905,000	4	Apr. 1998
Justice Center Leasehold Improvement Bonds, Series 2000A	3,765,000	4	Feb. 2000
Justice Center Leasehold Revenue Bonds, Series 2001	62,010,000	15	Sept. 2001
Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A	23,725,000	20	Oct. 2006
Convention Center Leasehold Refunding Bonds, Series 2003	93,165,000	7	Apr. 2003
Police Board Lease Series 2003	1,945,000	1	Feb. 2003
Civil Courts Revenue Refunding Bonds, Series 2003A	16,575,000	7	May 2003
MDNR Energy Efficiency Program	1,692,097	3	Nov. 2003
Forest Park Revenue Improvement Bonds, Series 2004	14,945,000	17	Dec. 2004
Compound Interest Leasehold Revenue Bonds, Series 2005	44,997,891	24	May 2005
Justice Center Leasehold Revenue Bonds, Series 2005	15,370,000	14	Aug. 2005
Rolling Stock	11,116,088	12	Sept. 2006
	$396,153,281		

[1] These bonds are being refunded with the Series C 2007 Bonds.
Source: City Comptroller's Office.

On May 26, 2005, the City caused to be issued the St. Louis Municipal Finance Corporation Compound Interest Leasehold Revenue Bonds, Series 2005A and Series 2005B in the amount of $44,997,891. These bonds were issued for the purpose of (i) current refunding a portion of the outstanding bonds issued to finance the convention center, dome stadium, and Kiel center facilities, and (ii) funding a portion of convention center asset preservation costs and other public infrastructure and convention and tourism improvements in the City.

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Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of April 30, 2007, is set forth below.

	General Obligation Bonds Outstanding	Percent Applicable to St. Louis	City's Direct and Overlapping Debt
The City of St. Louis	$ 54,819,742	100.00%	$ 54,819,742
Board of Education of the City of St. Louis	239,006,572	100.00%	239,006,572
Total	$293,826,314		$293,826,314

Source: City Comptroller's Office

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of April 30, 2007. These figures do not include lease agreements.

	Amount	Per Capita[1]	Ratio to Assessed Value
Total Direct Debt	$ 54,819,742	$157.44	1.52%
Total Direct and Overlapping Debt	$293,826,314	$843.87	8.15%

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

Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of April 30, 2007.

	City Purposes Basic Limit	Streets and Sewers Additional Limit
2006 Assessed Value	$3,892,746,911	$3,892,746,911
Debt limit - 10% of assessed value	389,274,691	389,274,691
Less: General Obligation Bonds	54,819,742	--
Legal Debt Margin	$ 334,454,949	$ 389,274,691

Source: City Comptroller's Office

EMPLOYEES AND EMPLOYEE RELATIONS

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

Under State law, employees of the City, including those of the Police Department, do not have the authority to bargain collectively. The salaries of employees of the Police Department are established by the 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 from the City's General Revenue Fund to all plans for the Fiscal Year ended June 30, 2006 totaled $19,633,954.

	(In Thousands)		
Benefits	**Actuarial Value of System Assets**	**Actuarial Accrued Liability**	**Plan Assets in Excess of (Unfunded) Plan Benefits**
Employee's Retirement System	$527,733	$666,182	$(138,449)
Police Retirement System	702,038	852,599	(150,561)
Firemen's Retirement System	391,182	429,764	(38,582)

Source: City Comptroller's Office.

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

OTHER POST EMPLOYMENT BENEFITS

GASB Statement No. 45

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

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

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

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

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

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

Currently, the City, on behalf of the SLPD, provides healthcare insurance for approximately 1,320 retirees, while approximately 1,500 are provided life insurance benefits. These costs are accounted for on a pay-as-you-go basis. The annual cost to the City of providing these benefits to retirees averages $4,436 per retiree for healthcare and $4.54 per retiree for life insurance for the fiscal ending June 30, 2007.

The following is a five year history of the City's annual costs as well as an estimate of annual costs for the Fiscal Years ending June 30, 2007 and June 30, 2008:

Fiscal Year Ending	City Cost
2008 (estimate)	$6,467,615
2007 (estimate)	5,862,917
2006	5,514,778
2005	6,470,532
2004	5,545,794
2003	3,714,061
2002	2,663,283

Status of Compliance with GASB Statement No. 45

The SLPD and the City are in the process of issuing a Request for Qualifications (RFQ) to hire an actuary to calculate the dollar amount of unfunded actuarial accrued liability which will be established for purposes of the City's CAFR for the Fiscal Year ending June 30, 2008 in order to meet GASB No. 45 requirements. It is expected that the actuary will be hired in July, 2007, and that the information produced by the actuary will be available for inclusion in the FY 2008 financial report.

Historically, the City has funded the full amount of the OPEB obligation from its general fund revenues, and expects to continue to do so.

LITIGATION

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

Firemen's Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury and Darlene Green, Cause No. 034-0266). Plaintiff claims that the Board of Estimate and Apportionment of the City of St. Louis did not recommend the appropriation for the Firemen's Retirement System certified by the plaintiff, by and through its actuaries, for the Fiscal Year 2004 and 2005 City Budgets, which amounts the plaintiff claims are binding under City ordinance. The difference between the amounts recommended by the Board of Estimate and Apportionment and the amounts certified by the plaintiff was $6.8 million for Fiscal Year 2004 and $11.7 million for Fiscal Year 2005. In June 2005, the Circuit Court entered judgment for the Firemen's Retirement System, concluding that the Board of Estimate & Apportionment was required to recommend an appropriation as certified by the System's actuaries. Although the judgment contained no monetary amount, it is presumed that the entire unfunded total of $18.5 million would be required. The City appealed the Circuit Court decision to the Missouri Court of Appeals, which transferred the case to the Missouri Supreme Court. On March 13, 2007 the Missouri Supreme Court issued an opinion determining that the Board of Estimate and Apportionment was required to appropriate the entire amount certified by the System's actuaries, was not limited by the Hancock Amendment. The decision is final, as the City's Motion for Rehearing was denied on May 1, 2007.

Firemen's Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury and Darlene Green, City of St. Louis Circuit Court, Cause No. 054-01780. A suit identical to the preceding suit, filed by the Firemen's Retirement System, claiming it was underfunded for Fiscal Year 2006. Subsequently, the Firemen's Retirement System amended the suit claiming it was underfunded for Fiscal Year 2007. The difference between the amount recommended by the Board of Estimate and Apportionment and the amount certified by the plaintiff was about $13.7 million for Fiscal Year 2006 and about $14 million for Fiscal Year 2007. This suit had been stayed in the Circuit Court, pending the appeal of the judgment entered for Fiscal Years 2004 and 2005. The Supreme Court's decision is final and this suit will proceed.

Police Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury, and Darlene Green, Cause No. 034-02186). Plaintiff claims that the Board of Estimate and Apportionment of the City of St. Louis did not recommend the appropriation for the Retirement System certified by the plaintiff, by and through its actuaries, for the Fiscal Year 2004 City Budget, which amount the plaintiff claims is binding under state statute. The difference between the amount recommended by the Board of Estimate and Apportionment and the amount certified by the plaintiff is $5.3 million. In June 2005, the Circuit Court entered judgment for the Police Retirement System, concluding that the Board of Estimate & Apportionment was required to recommend an appropriation as certified by the System's actuaries. Although the judgment contained no monetary amount, it is presumed that the entire unfunded total of $5.3 million would be required. The City appealed the Circuit Court decision to the Missouri Court of Appeals, which transferred the case to the Missouri Supreme Court. On March 13, 2007 the Missouri Supreme Court issued an opinion determining that the Board of Estimate and Apportionment was required to appropriate the entire amount certified by the System's actuaries, was not limited by the Hancock Amendment. The decision is final, as the City's Motion for Rehearing was denied on May 1, 2007.

Police Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury and Darlene Green, City of St. Louis Circuit Court, Cause No. 044-02636. A suit identical to the preceding suit, filed by the Police Retirement System, claiming it was underfunded for Fiscal Year 2005; the suit was later amended to add a claim for underfunding in Fiscal Year 2006. The difference between the amounts recommended by the Board of Estimate and Apportionment and the amounts certified by the plaintiff were about $7 million in Fiscal Year 2005 and $7 million in Fiscal Year 2006. This suit had been stayed in the Circuit Court, pending the appeal of the judgment entered for the Fiscal Year 2004. The Supreme Court's decision is final and this suit will proceed.

The City is a defendant in *Families for Asbestos Compliance, Testing And Safety v. The City of St. Louis, Missouri and City of St. Louis Airport Authority*, pending in the United States District Court for the Eastern District of Missouri (Civil Action No. 5 CV00719CJ). This law suit, filed on May 5, 2005, by a not-for-profit-group alleges that the City, as owner and operator of the Airport violated the Clean Air Act and the Resource Conservation and Recovery Act when it performed "wet demolition" of approximately 300 residential structures under the Airport's W-1W Expansion Program. Plaintiff seeks injunctive and declaratory relief as well as civil penalties and recovery of its costs. The City believes that the suit is without merit and intends to vigorously defend the matter.

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APPENDIX B
GENERAL PURPOSE FINANCIAL STATEMENTS OF THE CITY OF ST. LOUIS, MISSOURI FOR THE YEAR ENDED JUNE 30, 2006

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of and for the year ended June 30, 2006, which collectively comprise the City of St. Louis, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds and St. Louis Development Corporation. The assets and additions of the pension trust funds represent 91% and 100% of the assets and additions, respectively, of the aggregate remaining fund information. The assets and revenues of St. Louis Development Corporation represent 51% and 13% of the assets and revenues, respectively, of the aggregate discretely presented component units. The financial statements of the pension trust funds and St. Louis Development Corporation were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 29, 2006, on our consideration of the City of St. Louis, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 20, the Budgetary Comparison Information on pages 133 through 138, and the Firemen's Retirement System of St. Louis and Employees' Retirement System of the City of St. Louis Information on page 139 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

St. Louis, Missouri
December 29, 2006

CITY OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

This section of the City of St. Louis's (the City) Comprehensive Annual Financial Report presents an easily readable analysis of the City's financial activities based on currently known facts, decisions, and conditions. The following discussion and analysis of the City's financial performance has been prepared by management to provide an overview of the basic financial statements of the City of St. Louis for the fiscal year ended June 30, 2006. For a comprehensive understanding of the financial statements, please review the transmittal letter at the front of this report along with the City's financial statements, including the footnotes that follow the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS (excluding discretely presented component units)

- On a government-wide basis the City's total assets exceeded its liabilities for the most recent fiscal year by $1.6 billion.
- Governmental activities and business-type activities had net assets of $305.3 million and $1.3 billion, respectively.
- On a government-wide basis during the year, the City's total expenses were $12.5 million less than the $911.7 million revenue generated in charges for services, grants, taxes, and other revenues.
- The cost of services for the City's governmental activities was $654.1 million in fiscal year 2006 (excluding interest and fiscal charges).
- As of June 30, 2006, the City's governmental funds reported combined ending fund balances of $205.1 million. Of this amount, $99.0 million is unreserved fund balance and available for spending at the City's discretion.
- The unreserved fund balance for the general fund was $57.2 million or 13.7% of total general fund expenditures.
- The general fund revenues were higher than original budget estimates.
- In fiscal year 2006, the City issued $311.9 million in long-term debt to finance projects and refund debt. There was a net decrease of $34.9 million or 2.1% in bond debt during the current fiscal year.
- Total actual resources available in the General Fund were $8.4 million more than originally estimated and appropriated.
- Net pension obligations increased by $15.5 million and net pension asset decreased by $10.8 million due to the difference between the actuarial determined pension contributions to the three pension funds and the amounts actually contributed.
- Tax increment financing (TIF) debt increased liabilities in the amount of $28.1 million. There is no related asset for TIF debt, so net increases in TIF debt reduce unrestricted net assets by an equal amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

2. *Proprietary Funds*. Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:

   - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the operations of the Lambert-St. Louis International Airport (Airport), Water Division, and the Parking Division.

   - *Internal Service Funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its mail handling services, for payment of workers' compensation and various other claims, and health insurance.

3. *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the City. The City is the trustee or fiduciary responsible for assets which can be used only for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets for fiscal years 2006 and 2005 were $1.6 billion and $1.5 billion, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

The City of St. Louis, Missouri
Schedule of Net Assets
June 30, 2006 and 2005
(dollars in millions)

		Governmental activities		Business-type activities		Total	
		2006	**2005**	**2006**	**2005**	**2006**	**2005**
Assets:							
Current and other assets	$	336.0	345.2	362.8	457.3	698.8	802.5
Capital assets		768.7	777.5	1,972.6	1,860.5	2,741.3	2,638.0
Total assets		**1,104.7**	**1,122.7**	**2,335.4**	**2,317.8**	**3,440.1**	**3,440.5**
Liabilities:							
Long-term debt outstanding		735.8	719.8	993.8	1,012.4	1,729.6	1,732.2
Other liabilities		63.6	62.7	56.2	67.4	119.8	130.1
Total liabilities		**799.4**	**782.5**	**1,050.0**	**1,079.8**	**1,849.4**	**1,862.3**
Net assets:							
Invested in capital assets,							
Net of related debt		402.3	395.9	1,120.7	1,068.2	1,523.0	1,464.1
Restricted		108.9	121.3	145.3	153.7	254.2	275.0
Unrestricted		(205.9)	(177.0)	19.4	16.1	(186.5)	(160.9)
Total net assets	$	**305.3**	**340.2**	**1,285.4**	**1,238.0**	**1,590.7**	**1,578.2**

ANALYSIS OF NET ASSETS

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

The largest portion of the City's net assets, 95.7% reflects its investments of $1.5 billion in capital assets (for example, infrastructure, land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets at the end of fiscal year 2006 and fiscal 2005, respectively, is $254.2 million and $275.0 million, which represent resources that are subject to external restrictions on how they may used.

Total unrestricted net assets decreased by $25.6 million for the year ended June 30, 2006. Consequently, unrestricted governmental activities net assets showed a $205.9 deficit at the end of this year as compared to a $177.0 million deficit last fiscal year. This deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. For example, the City's policy and practice is to budget for certain long-term expenses as they come due. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and amounts to pay for unused employee vacation and sick days. The City will continue to include these amounts in future year's budgets as they come due.

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

- Section 108 loan agreements, $63.7 million
- Joint venture financing agreement for the expansion of the convention center, $67.3 million
- Tax increment financing debt for economic development projects in the amount of $69.8 million

Although the net assets of the business-type activities demonstrated an increase of $47.4 million, these resources cannot be used to make up for the unrestricted net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the Airport, Water Division, and the Parking Division.

The City of St. Louis, Missouri
Changes in Net Assets
For the Fiscal Years ended June 30, 2006 and 2005
(dollars in millions)

		Governmental activities		**Business-type activities**		**Total**	
		2006	**2005**	**2006**	**2005**	**2006**	**2005**
Revenues:							
Program revenues:							
Charges for services	$	106.5	77.6	209.4	194.2	315.9	271.8
Operating Grants and Contributions		80.2	111.3	6.7	4.0	86.9	115.3
Capital Grants and Contributions		13.8	1.0	38.3	72.0	52.1	73.0
General revenues:							
Taxes		435.5	416.0			435.5	416.0
Investment Income		9.5	3.1	11.8	11.1	21.3	14.2
Total revenues		**645.5**	**609.0**	**266.2**	**281.3**	**911.7**	**890.3**
Expenses:							
General government		93.6	93.7			93.6	93.7
Convention and tourism		4.6	6.3			4.6	6.3
Parks and recreation		25.4	25.7			25.4	25.7
Judicial		46.6	47.7			46.6	47.7
Streets		59.1	56.2			59.1	56.2
Public Safety:						0.0	0.0
Fire		54.6	51.1			54.6	51.1
Police		134.6	130.6			134.6	130.6
Other		55.7	52.6			55.7	52.6
Health and welfare		46.1	40.6			46.1	40.6
Public service		67.5	62.6			67.5	62.6
Community Development		66.3	57.2			66.3	57.2
Interest on long-term debt		33.7	34.0			33.7	34.0
Airport				156.8	143.4	156.8	143.4
Water Division				40.5	39.8	40.5	39.8
Parking Division				14.1	13.6	14.1	13.6
Total expenses		**687.8**	**658.3**	**211.4**	**196.8**	**899.2**	**855.1**
Increase (decrease) in net assets							
before gain and transfers		**(42.3)**	**(49.3)**	**54.8**	**84.5**	**12.5**	**35.2**
Gain on sale			0.5		0.4		0.9
Transfers		7.4	7.1	(7.4)	(7.1)	0.0	0.0
Increase (decrease) in net assets		**(34.9)**	**(41.7)**	**47.4**	**77.8**	**12.5**	**36.1**
Net assets-beginning		340.2	381.9	1,238.0	1,160.2	1,578.2	1,542.1
Net assets-ending	$	**305.3**	**340.2**	**1,285.4**	**1,238.0**	**1,590.7**	**1,578.2**

Changes in net assets. The City's total revenue on a government-wide basis was $911.7 million, an increase of $21.4 million over the previous year. Taxes represent 47.8% of the City's revenue as compared to 46.7% last year. Additionally, 34.7% comes from fees charged for services, as compared to 30.5% of the previous year's revenue. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

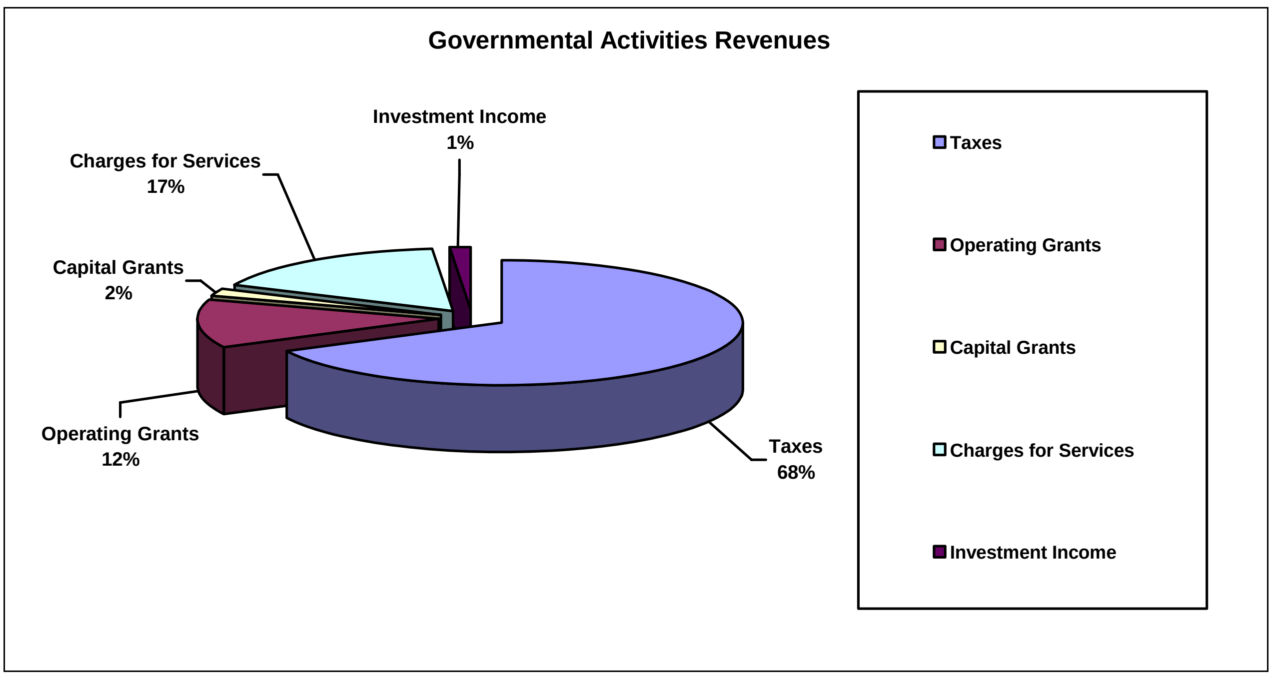
The total cost of all programs and services was $899.2 million, an increase from $855.1 million last year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

Governmental activities. As a result of this year's operations, the net assets of governmental activities decreased by $34.9 million or 10.3%. The net asset decrease is primarily related to the anticipated level of spending over the expected growth in revenues. Revenues increased by $36.5 million or 6.0%, while total expenses increased by $29.5 million or 4.5%.

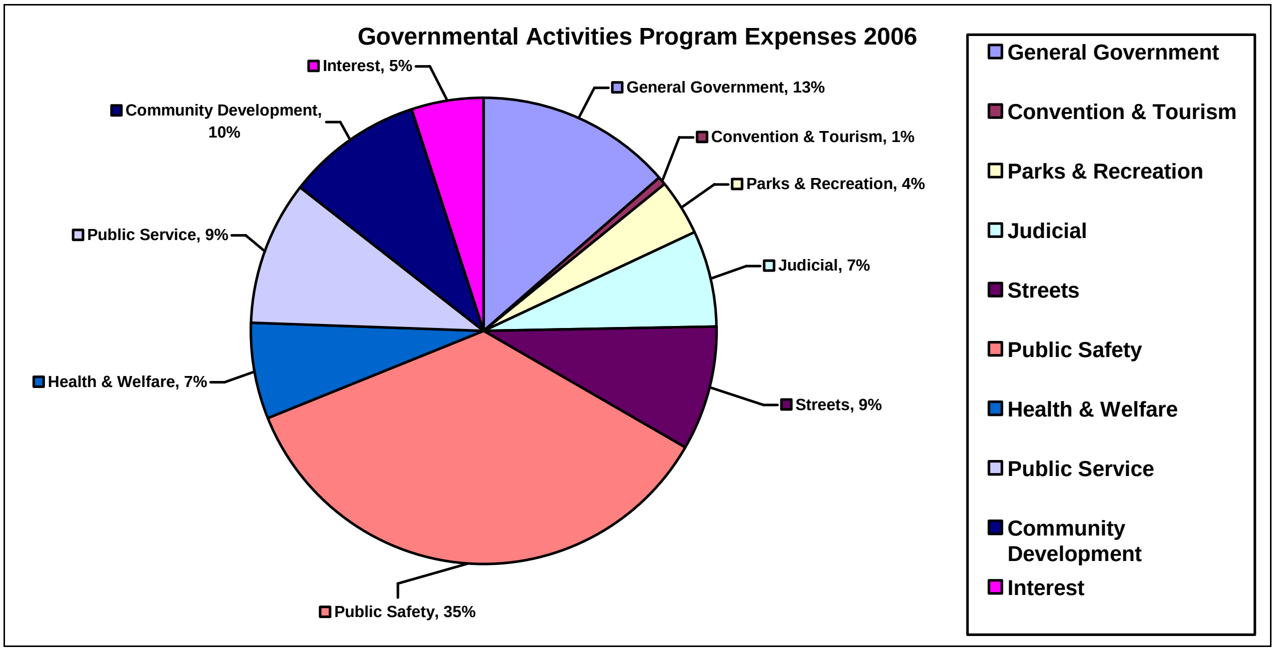
Several revenue sources exceeded final budget estimates. Of the budgeted revenue, taxes had a positive variance of $14.0 million or 4.4%; license and permits had a positive variance of $1.2 million or 6.6%; intergovernmental (motor fuel tax allocations, juvenile detention center) had a negative variance of $0.8 million or 3.9% and charges for services also had a negative variance of $0.8 million or 3.7%.

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

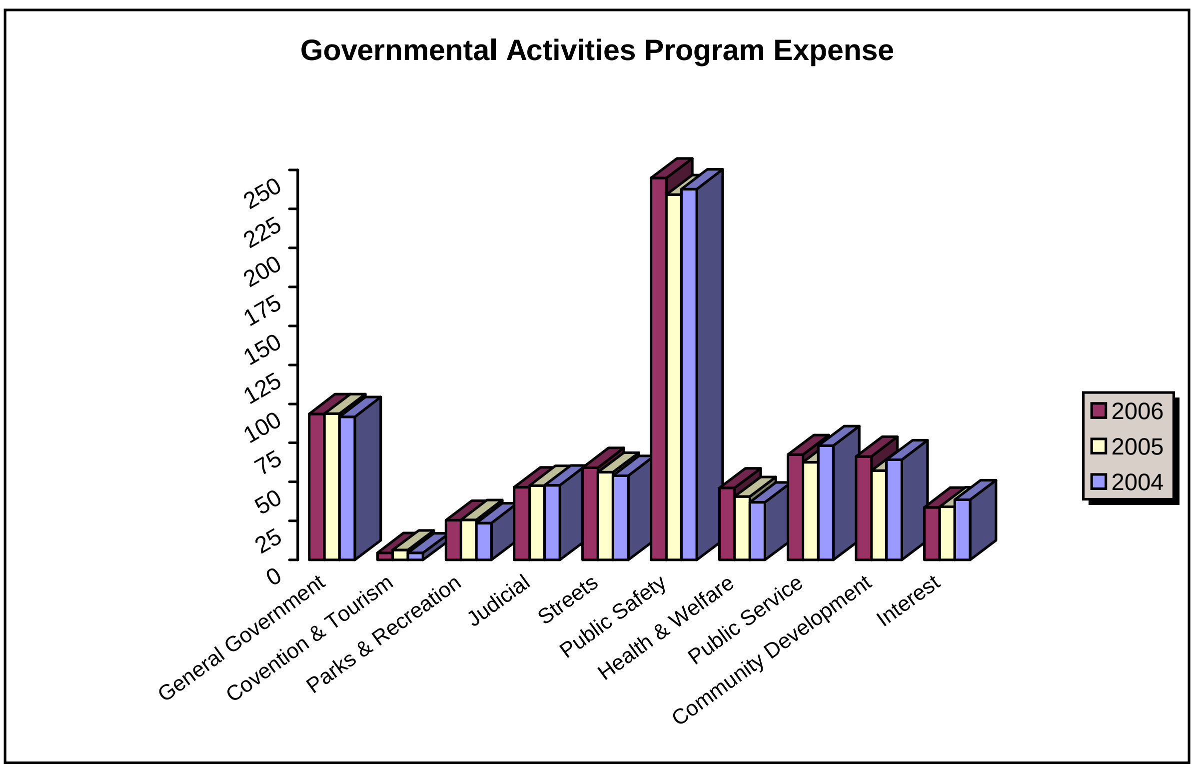
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2006.



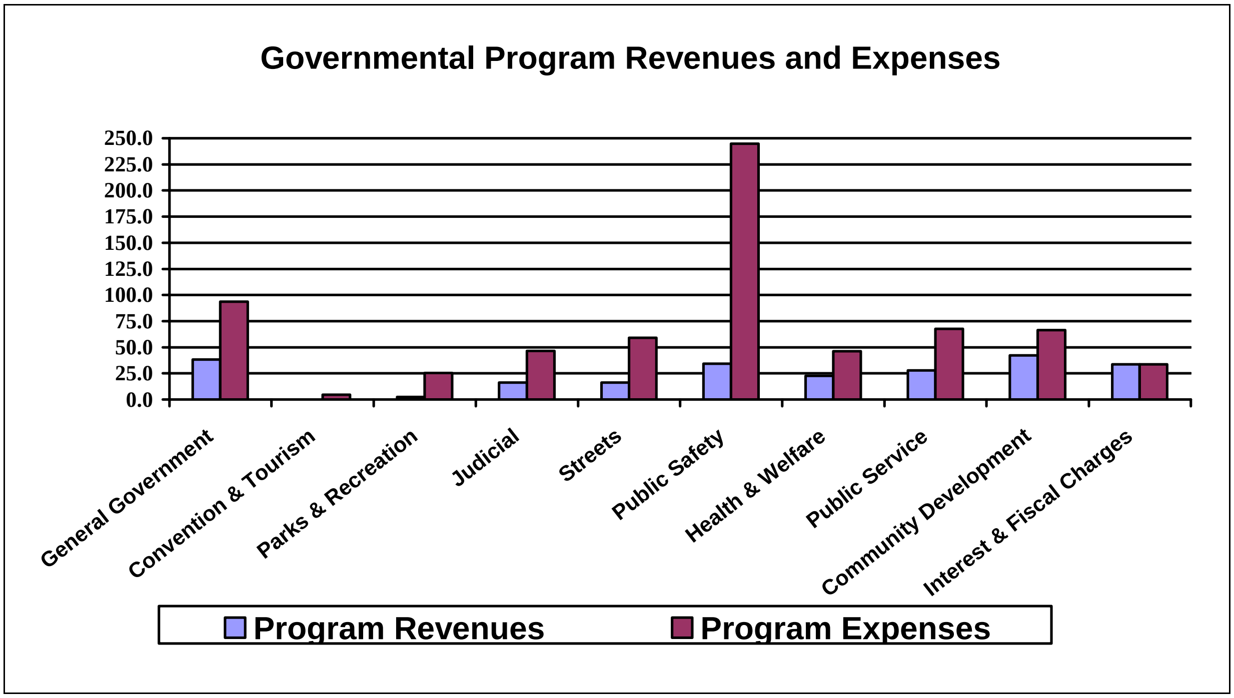
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was $687.8, an increase of $29.5 million or 4.5% over the prior year. As shown, public safety is the largest function in expense (35.0%). The majority of the spending was the result of funding the Police Department $134.6 million and the Fire Department $54.6 million.



The following chart is a comparison of expense of governmental activities for fiscal years ended 2006, 2005, and 2004.



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



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

		Total Cost of Services			Net Cost of Services	
		2006	**2005**		**2006**	**2005**
General government	$	93.6	93.7		55.3	45.6
Convention and tourism		4.6	6.3		4.6	6.3
Parks and recreation		25.4	25.7		23.0	22.9
Judicial		46.6	47.7		30.3	27.2
Streets		59.1	56.2		42.8	45.9
Public Safety:						
Fire		54.6	51.1		47.3	44.4
Police		134.6	130.6		134.6	129.6
Other		55.7	52.6		28.8	39.1
Health and welfare		46.1	40.6		23.3	24.2
Public service		67.5	62.6		39.6	39.5
Community Development		66.3	57.2		24.0	9.8
Totals	$	**654.1**	**624.3**		**453.6**	**434.5**

The preceding charts represent the cost of governmental activities this year excluding interest and fiscal charges. The cost this year was $654.1 million compared to $624.3 million last year. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only $453.6 million. The difference of $200.5 million comprises charges for services ($106.5 million), operating grants and contributions ($80.2 million), and capital grants and contributions ($13.8 million).

Business-Type activities. Business-type activities reflect an increase in net assets of $47.4 million or 3.8%. The growth in net assets is due primarily to the increase in capital grants and contributions, and a decrease in operating expenses for the Airport, Water and Parking Division.

Lambert – St. Louis International Airport. The net assets of the Airport increased by $42.0 million or 3.9%. Operating income was $7.9 million this year versus an operating income of $4.3 million in 2005. Total operating revenues for 2006 was $115.7 million. Of this amount, major sources of operating revenue included aviation revenue (44.9%), concession revenue (20.8%), and lease revenue (3.9%). A form of non-operating revenue is passenger facility charges which accounts for (20.1%) of total revenues.

The new Runway W-1W was completed in fiscal year 2006 and approximately $532.0 million was closed from construction-in-progress.

At June 30, 2006, the Airport had bonded debt of $861.1 million.

Parking Division. The net assets of the Parking Division increased by $2.0 million or 10.8%. Operating income was $4.3 million this year versus an operating income of $3.0 million in 2005. Total operating revenues for 2006 was $14.6 million. Of this amount, major sources of operating revenue included parking meter revenue (22.8%), parking violations notices revenue (27.4%), and parking facilities revenue (47.5%).

At June 30, 2006, the capital assets balance was $66.4 million. This amount includes buildings and parking garages (net of accumulated depreciation) $43.0 million, parking meters and lot equipment $2.1 million, and land $21.3 million.

At June 30, 2006, the Parking Division had bonded debt of $64.5 million.

Water Division. The net assets of the Water Division increased by $3.1 million or 2.3%. Operating income was $6.1 million this year versus an operating income of $6.3 million in 2005. Total operating revenues for 2006 was $45.0 million. Of this amount, major sources of operating revenue included metered revenue (44.5%) and flat rate revenue (40.2%).

At June 30, 2006, the capital assets balance was $153.7 million. This amount includes buildings and structures (net of accumulated depreciation) with $18.9 million, reservoirs and water mains with $88.7 million, equipment with $37.5 million, land with $1.2 million and construction-in-progress with $7.4 million.

At June 30, 2006, the Water Division had bonded debt of $31.8 million.

The City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2006
(dollars in millions)

		2006	2005	2006 vs. 2005 $ Change	2006 vs. 2005 % Change
Total Assets	$	336.3	333.1	3.2	1.0
Total Liabilities		131.2	113.0	18.2	16.1
Fund Balances:					
Reserved:		106.1	101.7	4.4	4.3
Unreserved:					
General Fund		57.2	47.6	9.6	20.1
Special Revenue		49.0	43.1	5.9	13.8
Capital Projects		(7.2)	27.7	(34.9)	(126.0)
Total fund balances		205.1	220.1	(15.0)	(6.8)
Total liabilities and					
fund balance	$	**336.3**	**333.1**	**3.2**	**1.0**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the unreserved fund balance of the general fund was $57.2 million, while the total general fund balance was $80.3 million. As of June 30, 2005, the balances were $47.6 million and $72.8 million respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance of $57.2 million represents 13.7% of total general fund expenditures and transfers out of $418.5 million, while total general fund balance of $80.3 million represents 19.2% of total general fund expenditures and transfers out. This compares to 11.8% and 18.0%, respectively, in fiscal year 2005.

The total fund balance in the City's general fund increased by $7.5 million or 10.3% in the current fiscal year. The City's general fund decreased by $2.9 million or 4.1% in the prior fiscal year. Key factors in increasing the general fund balance are primarily due to:

1. Economically sensitive sources of revenue such as earnings tax, sales tax, payroll tax, and franchise taxes came in $7.7 million, $1.5 million, $4.2 million, and $0.6 million respectively, higher than budget estimates.

2. Building permits generated $0.9 million more than original estimates.

The capital projects fund ended the fiscal year with a negative unreserved fund balance of $7.2 million and a total positive fund balance of $60.3 million, as compared to a positive unreserved fund balance of $27.7 million and a total positive fund balance of $91.0 million in fiscal year 2005. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received $80.2 million in intergovernmental revenues and the Community Development Agency spent $36.8 million, or 45.9%, of these funds. Health and welfare spent $22.2 million, or 27.7%, of these funds.

Proprietary Funds

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

At the end of the fiscal year, the unrestricted net assets for the Airport was $16.8 million, the Water Division $2.4 million, and the Parking Division was $1.4 million, as compared to $15.7 million, $1.3 million, and $0.5 million, respectively in 2005. The internal service funds which are used to account for certain governmental activities, also had negative unrestricted net assets in the amount of $2.4 million. Last year the unrestricted net assets were negative $18.9 million. The total growth in net assets for the enterprise funds was $47.2 million in the current year and $77.7 million the previous year. Factors contributing to the finances of these funds have been addressed earlier in the Management's Discussion and Analysis of the City's business-type activities.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for the Firemen's Retirement System, the Police Retirement System, and the Employee's Retirement System. As of the end of the current fiscal year, the net assets of the pension funds totaled $1.6 billion an increase of $112.1 million from the previous year. The net increase is primarily due to the increase in market value of the pension funds' investment.

The City is the custodian of the agency funds and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets to discuss. As of the end of the current fiscal year, the combined gross assets of the agency funds totaled $72.8 million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, and circuit clerk, and other miscellaneous agency activities.

General Fund Budgetary Highlights

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

In the fiscal year, $4.2 million had been set aside for prior year encumbrances and commitments, and there were no supplemental appropriations. The original general fund budget total of $416.4 million includes provisions for an additional payday. City employees are paid bi-weekly and normally have 26 paydays in a fiscal year. Once every 11 years, there are 27 paydays in a fiscal year. Fiscal year 2006 had 27 paydays. The budget for the prior year was $403.1 million and provided for 26 paydays. General fund revenues and other resources were originally estimated at $416.4 million. The estimate included a transfer from the reserve for the 27th payday in the amount of $8.7 million. However during the fiscal year, actual revenues and other sources exceeded original estimates by $8.4 million.

With some under spending in salary and discretionary accounts, the General Fund ended the year with a budget basis surplus of $11.1 million, which includes internal reserves. As of June 30, 2006, the unreserved fund balance of the General Fund was $16.6 million per the cash basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had invested $2.7 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways and water systems. This amount represents a net increase for the current fiscal year (including additions and deductions) of $103.4 million, or 3.9%, over last year.

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

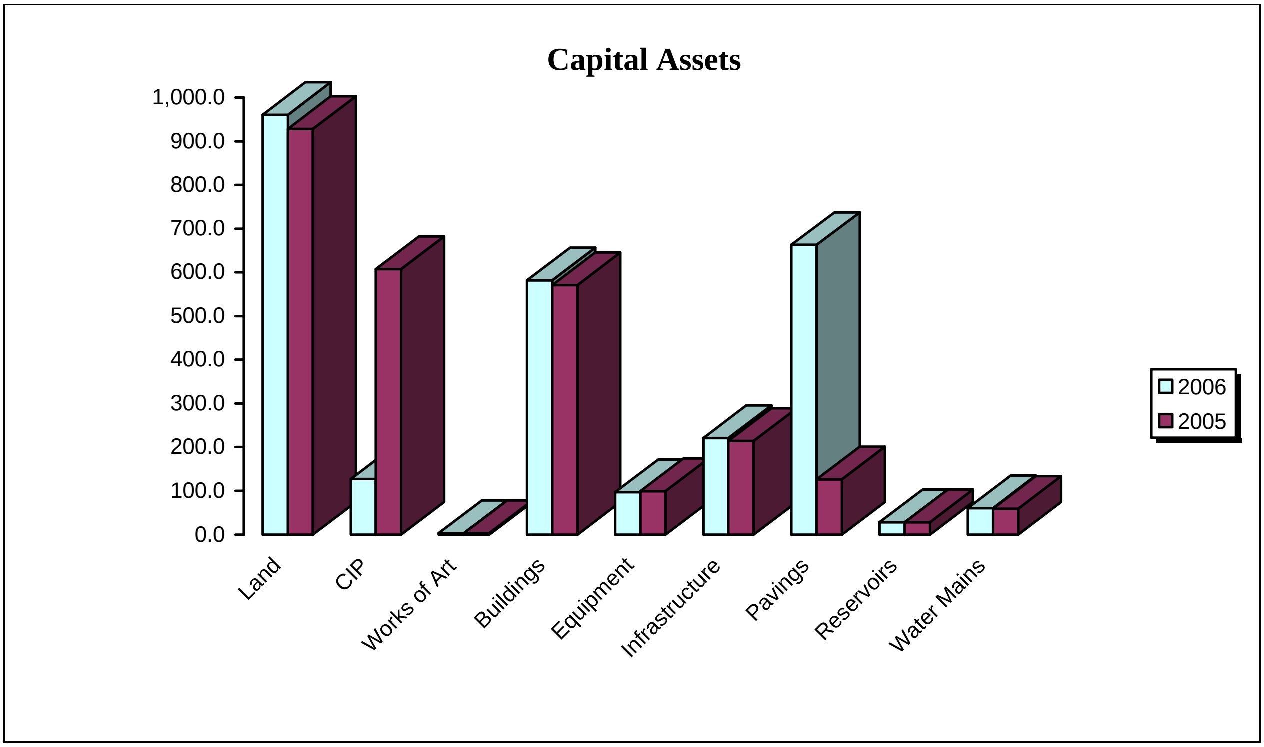
		Governmental activities		**Business-type activities**		**Total**	
		2006	**2005**	**2006**	**2005**	**2006**	**2005**
Land	$	77.4	77.4	883.1	851.5	960.5	928.9
Construction-in-progress		58.6	79.7	68.2	527.7	126.8	607.4
Works of art		3.0	3.0			3.0	3.0
Buildings and improvements		363.2	352.7	218.7	218.6	581.9	571.3
Equipment		45.9	50.5	51.0	49.0	96.9	99.5
Infrastructure		220.6	214.2			220.6	214.2
Paving				663.0	126.2	663.0	126.2
Reservoirs				27.9	28.5	27.9	28.5
Water mains, line, accessories				60.8	59.0	60.8	59.0
Total	$	**768.7**	**777.5**	**1,972.7**	**1,860.5**	**2,741.4**	**2,638.0**

This year's major capital asset additions included:

- $ 16.8 million construction-in-progress (CIP) addition in governmental activities
- $553.4 million in paving at the Airport (previously CIP)
- $ 37.0 million land additions at the Airport

The net decrease in construction-in-progress in business-type activities is due to the completion of the new Runway W1-W at Lambert-St. Louis International Airport. Its cost is now included in Paving.

There were no major capital asset additions for the Water Division or the Parking Division.



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

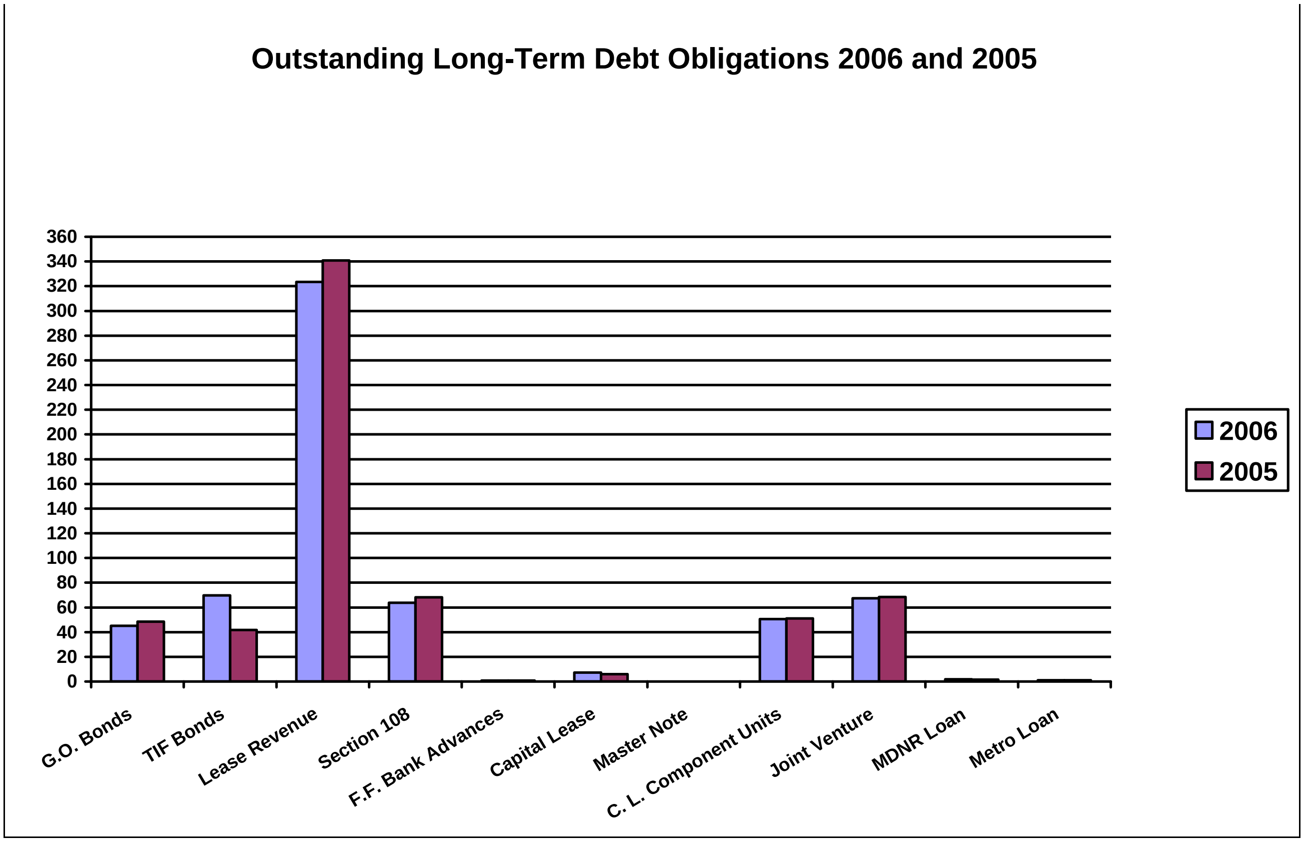
For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

Long-Term Debt

At the end of fiscal year 2006, the City had outstanding long-term debt obligations for governmental activities in the amount of $631.0 million compared to $628.0 million in fiscal year 2005. Of this amount, $45.2 million are general obligation bonds and $69.8 million are tax increment financing bonds. Lease revenue obligations outstanding totaled $323.5 million.

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

		Fiscal Year 2006	Fiscal Year 2005	% Change
General obligation bonds	$	45.2	48.5	(6.8)
Tax increment financing bonds		69.8	41.7	67.4
Lease revenue obligations		323.5	340.9	(5.1)
Section 108 loan guarantee assistance		63.7	68.2	(6.6)
Federal financing bank advances		0.7	0.8	(12.5)
Capital lease		7.2	6.0	20.0
Master note purchase agreement		0.1	0.1	(20.0)
Obligations under capital leases with component units		50.6	51.0	(0.8)
Joint venture financing agreement		67.3	68.3	(1.5)
Missouri Department of Natural Resources (MDNR) direct loan agreement		1.9	1.5	26.7
Metro loan agreement		1.0	1.0	0.0
Total	$	**631.0**	**628.0**	**0.5**



State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The City's authorized debt limit for calendar year 2006 was $388.3 million. The City's effective legal debt margin as of June 30, 2006 was $350.3 million. For additional information on long-term debt, refer to the notes 13 to 16 to the basic financial statements.

The City's underlying general obligation credit ratings remained unchanged for fiscal year 2006. The City ratings on uninsured general obligation bonds as of June 30, 2006 were:

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

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

		Fiscal Year 2006	Fiscal Year 2005	$ Change	% Change
Airport	$	861.1	894.7	(33.6)	(3.8)
Water Division		31.8	34.3	(2.5)	(7.3)
Parking Division		64.5	66.3	(1.8)	(2.7)
Total	$	**957.4**	**995.3**	**(37.9)**	**(3.8)**

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2006 and June 30, 2005 were $957.4 and $995.3 million. The amount reflects a decrease of $37.9 million, or 3.8%. This amount includes Airport bonds of $861.1 million, Water Division bonds of $31.8 million, and Parking Division bonds of $64.5 million. For additional information on revenue bonds of the business-type activities, refer to note 17 of the basic financial statements.

Economic Factors and Next Year's Budget

- The fiscal year 2007 annual operating budget allocates $828.4 million among all budgeted funds.

- The fiscal year 2007 general fund budget is $425.3 million compared to $416.0 million in the prior year.

- Fiscal year 2007 budget includes an allowance for a mid-year 3% cost of living increase for employees.

- $1.0 million in planned efficiency savings from an attrition reduction of management and administrative positions and resumption of a 26 pay day schedule after the occurrence of a cyclical 27th payday in fiscal year 2006.

Requests for Information

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

If you have any questions about this report or need additional information, please contact the Office of the Comptroller of the City of St. Louis, c/o Deputy Comptroller, City Hall, Room 311, Saint Louis, Missouri 63103.


THE COMMON SEAL OF
THE CITY OF ST. LOUIS.

City of St. Louis, Missouri
Statement of Net Assets
June 30, 2006
(dollars in thousands)

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC
ASSETS							
Cash and cash equivalents	$ 25,089	11,373	36,462	12,879	1,511	31	1,085
Investments	87,144	10,483	97,627	—	3,123	—	685
Receivables, net	132,366	35,366	167,732	8,757	712	—	—
Inventories	—	3,920	3,920	—	1,337	—	—
Restricted assets	70,455	284,549	355,004	2,128	690	—	—
Deferred charges	7,747	23,638	31,385	—	61	—	—
Internal balances	8,648	(8,648)	—	—	—	—	—
Other assets	30	2,111	2,141	966	1,754	—	—
Receivable from primary government	—	—	—	2,188	1,219	—	—
Receivable from component unit	1,589	—	1,589	—	—	—	—
Net pension asset	2,990	—	2,990	—	—	—	—
Property held for development	—	—	—	6,345	—	—	—
Capital assets, net:							
Non-depreciable	139,009	951,281	1,090,290	4,914	1,646	—	—
Depreciable	629,644	1,021,383	1,651,027	11,611	28,112	—	5,391
Total assets	1,104,711	2,335,456	3,440,167	49,788	40,165	31	7,161
LIABILITIES							
Accounts payable and accrued liabilities	18,631	23,735	42,366	1,534	542	31	—
Accrued salaries and other benefits	4,235	1,500	5,735	327	1,486	21	—
Accrued interest payable	30,211	23,852	54,063	—	—	—	—
Unearned revenue	358	5,759	6,117	—	231	—	—
Other liabilities	7,167	—	7,167	—	—	10	—
Commercial paper payable	—	1,000	1,000	—	—	—	—
Payable to primary government	—	—	—	308	1,281	—	—
Payable to component units	3,007	400	3,407	—	—	—	—
Long-term liabilities:							
Due within one year	65,484	26,750	92,234	3,399	12,055	—	—
Due in more than one year	670,323	967,032	1,637,355	23,978	65,899	—	—
Total liabilities	799,416	1,050,028	1,849,444	29,546	81,494	62	—
NET ASSETS							
Invested in capital assets, net of related debt	402,317	1,120,715	1,523,032	3,750	26,630	—	5,391
Restricted:							
Debt service	35,377	98,594	133,971	2,128	690	—	—
Capital projects	35,037	7,813	42,850	—	—	—	—
Passenger facility charges	—	38,912	38,912	—	—	—	—
Statutory restrictions	38,505	—	38,505	—	—	—	—
Unrestricted (deficit)	(205,941)	19,394	(186,547)	14,364	(68,649)	(31)	1,770
Total net assets	$ 305,295	1,285,428	1,590,723	20,242	(41,329)	(31)	7,161

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
For the Year ended June 30, 2006
(dollars in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets						
					Primary Government			Component Units			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**SLDC**	**SLPD**	**HSTRC**	**SWMDC**
Primary Government:											
Governmental activities:											
General government	$ 93,572	37,617	645	—	(55,310)	—	(55,310)	—	—	—	—
Convention and tourism	4,594	20	—	—	(4,574)	—	(4,574)	—	—	—	—
Parks and recreation	25,366	2,248	129	—	(22,989)	—	(22,989)	—	—	—	—
Judicial	46,566	12,525	3,769	—	(30,272)	—	(30,272)	—	—	—	—
Streets	59,109	15,984	329	—	(42,796)	—	(42,796)	—	—	—	—
Public safety:											
Fire	54,625	6,562	803	—	(47,260)	—	(47,260)	—	—	—	—
Police— Payment to SLPD	134,631	—	—	—	(134,631)	—	(134,631)	—	—	—	—
Other	55,750	25,744	1,233	—	(28,773)	—	(28,773)	—	—	—	—
Health and welfare	46,070	511	22,228	—	(23,331)	—	(23,331)	—	—	—	—
Public service	67,544	5,301	8,837	13,760	(39,646)	—	(39,646)	—	—	—	—
Community development	66,286	—	42,241	—	(24,045)	—	(24,045)	—	—	—	—
Interest and fiscal charges	33,731	—	—	—	(33,731)	—	(33,731)	—	—	—	—
Total governmental activities	687,844	106,512	80,214	13,760	(487,358)	—	(487,358)	—	—	—	—
Business-type activities:											
Airport	156,824	149,169	6,673	38,239	—	37,257	37,257	—	—	—	—
Water Division	40,505	45,464	—	62	—	5,021	5,021	—	—	—	—
Parking Division	14,056	14,849	—	—	—	793	793	—	—	—	—
Total business-type activities	211,385	209,482	6,673	38,301	—	43,071	43,071	—	—	—	—
Total primary government	$ 899,229	315,994	86,887	52,061	(487,358)	43,071	(444,287)	—	—	—	—
Component Units:											
SLDC	$ 19,247	13,476	8,184	—	—	—	—	2,413	—	—	—
SLPD	145,555	2,770	5,922	1,522	—	—	—	—	(135,341)	—	—
HSTRC	18	8	—	—	—	—	—	—	—	(10)	—
SWMDC	394	463	—	77	—	—	—	—	—	—	146
Total component units	$ 165,214	16,717	14,106	1,599	—	—	—	2,413	(135,341)	(10)	146
General revenues:											
Taxes:											
Property taxes, levied for general purpose					$ 53,536	—	53,536	—	—	—	—
Property taxes, levied for debt service					5,750	—	5,750	—	—	—	—
Sales taxes					121,449	—	121,449	—	—	—	—
Earnings/payroll taxes					170,934	—	170,934	—	—	—	—
Gross receipts taxes (includes franchise tax)					81,162	—	81,162	—	—	—	—
Miscellaneous taxes					2,684	—	2,684	—	—	—	—
Unrestricted investment earnings					9,492	11,794	21,286	308	183	1	32
Support provided by City of St. Louis, Missouri					—	—	—	—	134,631	12	—
On-behalf payment for pension contribution from the City of St. Louis, Missouri					—	—	—	—	8,093	—	—
Gain on sale of capital assets					6	—	6	—	—	—	—
Transfers					7,401	(7,401)	—	—	—	—	—
Total general revenues and transfers					452,414	4,393	456,807	308	142,907	13	32
Change in net assets					(34,944)	47,464	12,520	2,721	7,566	3	178
Net assets—beginning of year					340,239	1,237,964	1,578,203	17,521	(48,895)	(34)	6,983
Net assets—end of year					$ 305,295	1,285,428	1,590,723	20,242	(41,329)	(31)	7,161

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2006
(dollars in thousands)

		Major Funds		Nonmajor Funds	
	General Fund	Capital projects Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents:					
Restricted	$ 5,067	811	—	8,900	14,778
Unrestricted	2,634	4,473	—	17,332	24,439
Investments:					
Restricted	16,755	38,922	—	—	55,677
Unrestricted	24,915	23,562	9,411	29,256	87,144
Receivables, net of allowances					
Taxes	87,235	2,765	—	24,597	114,597
Licenses and permits	2,637	—	—	—	2,637
Intergovernmental	3,841	3,177	4,597	1,019	12,634
Charges for services	303	—	—	1,154	1,457
Notes and loans	—	—	—	90	90
Other	833	2	—	116	951
Due from component units	1,281	—	—	308	1,589
Due from other funds	19,264	—	—	1,021	20,285
Total assets	$ 164,765	73,712	14,008	83,793	336,278
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 4,926	6,885	5,697	696	18,204
Accrued salaries and other benefits	3,559	56	293	327	4,235
Due to component units	1,219	—	—	1,788	3,007
Due to other funds	515	5,241	8,080	699	14,535
Advance from other funds	12,700	—	—	—	12,700
Deferred revenue	55,870	1,240	—	14,210	71,320
Other liabilities	5,682	—	—	1,485	7,167
Total liabilities	84,471	13,422	14,070	19,205	131,168
Fund balances:					
Reserved:					
Encumbrances	1,604	32,457	—	6,496	40,557
Debt service	21,535	—	—	8,989	30,524
Capital projects	—	35,037	—	—	35,037
Unreserved, reported in:					
General fund	57,155	—	—	—	57,155
Special revenue funds	—	—	(62)	49,103	49,041
Capital projects fund	—	(7,204)	—	—	(7,204)
Total fund balances	80,294	60,290	(62)	64,588	205,110
Total liabilities and fund balances	$ 164,765	73,712	14,008	83,793	336,278

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006
(dollars in thousands)

Total fund balances—governmental funds—balance sheet	$	205,110
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.		768,584
Various taxes related to fiscal year 2006 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.		16,234
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, 2006 and payable on December 31, 2006 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.		54,728
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds, generally on a cost reimbursement basis. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets, net of amounts due from enterprise funds.		(1,099)
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.		2,990
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.		7,747
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported on the government-wide statement of net assets. Also, during the year the City issued new debt and refunded some of its existing debt. Discounts, premiums, bond issuance costs, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt on the government-wide financial statements.		
Balances as of June 30, 2006 are:		
Accrued compensated absences		(25,843)
Net pension obligation		(62,711)
Accrued interest payable on bonds		(30,211)
Landfill closure liability		(228)
Capital lease		(57,801)
Bonds and notes payable		(573,191)
Unamortized discounts		739
Unamortized premiums		(12,859)
Unamortized deferred amounts on refunding		13,106
Total net assets—governmental activities—statement of net assets	$	305,295

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, 2006
(dollars in thousands)

	Major Funds			Nonmajor Funds	
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 323,848	19,082	—	89,209	432,139
Licenses and permits	20,009	—	—	3,699	23,708
Intergovernmental	25,331	13,144	80,214	3,643	122,332
Charges for services, net	16,301	72	—	12,000	28,373
Court fines and forfeitures	7,893	—	—	1,034	8,927
Investment income	5,800	1,908	2	1,782	9,492
Interfund services provided	4,009	—	—	—	4,009
Miscellaneous	4,265	967	—	5,916	11,148
Total revenues	407,456	35,173	80,216	117,283	640,128
EXPENDITURES					
Current:					
General government	53,941	920	647	13,503	69,011
Convention and tourism	204	—	—	158	362
Parks and recreation	18,667	3,160	129	1,235	23,191
Judicial	40,427	—	3,769	2,641	46,837
Streets	27,930	7,644	329	1,512	37,415
Public Safety:					
Fire	53,119	—	803	37	53,959
Police	131,054	1,304	—	2,273	134,631
Other	46,641	—	1,233	7,930	55,804
Health and welfare	3,511	—	22,228	20,166	45,905
Public services	23,122	5,746	8,837	29,895	67,600
Community development	—	—	36,797	29,758	66,555
Capital outlay	—	35,290	—	—	35,290
Debt service:					
Principal	5,097	16,325	2,820	6,691	30,933
Interest and fiscal charges	11,828	9,141	2,624	5,263	28,856
Total expenditures	415,541	79,530	80,216	121,062	696,349
Excess (deficiency) of revenues over expenditures	(8,085)	(44,357)	—	(3,779)	(56,221)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	—	514	—	—	514
Issuance of leasehold revenue bonds	—	15,485	—	—	15,485
Premium on leasehold revenue bonds	—	504	—	—	504
Issuance of capital lease	—	1,990	—	—	1,990
Issuance of tax increment revenue notes	—	—	—	30,043	30,043
Issuance of loan agreement	—	782	—	—	782
Payment to refunded bond escrow agent	—	(15,421)	—	—	(15,421)
Transfers in	18,536	9,840	—	1,533	29,909
Transfers out	(2,954)	—	—	(19,554)	(22,508)
Total other financing sources (uses), net	15,582	13,694	—	12,022	41,298
Net change in fund balances	7,497	(30,663)	—	8,243	(14,923)
Fund balances:					
Beginning of year	72,797	90,953	(62)	56,345	220,033
End of year	$ 80,294	60,290	(62)	64,588	205,110

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, 2006
(dollars in thousands)

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances		$ (14,923)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets, meeting the capitalization threshold, is allocated over their estimated useful lives and recorded as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the statement of activities. This is the amount by which capital outlays and capital contributions, meeting the capitalization threshold, exceeded depreciation expense in the current year.		(8,914)
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	7,467	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	(2,102)	
		5,365
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds. The net income of internal service funds attributable to governmental activities is reported on the statement of activities.		16,249
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.		1,073
Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayments of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets.		
Debt issued during the current year:		
Series 2005 Justice Center Leasehold Revenue Refunding bonds	(15,485)	
Loan agreement with Missouri Department of Natural Resources	(782)	
Capital lease—rolling stock	(1,990)	
Tax increment financing bonds and notes payable	(30,043)	
Repayments during the current year:		
Advance refunding of Series 2000A Justice Center Leasehold Revenue Bonds	14,360	
Annual principal payments on bonds and notes payable	29,755	
Annual principal payments on capital leases	1,174	
		(3,011)
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	(25,843)	
Accrued interest payable on bonds	(5,437)	
Landfill closure liability	15	
Discounts on debt issuances, net of amortization	(50)	
Premiums on debt issuances, net of amortization	932	
Deferred bond issuance costs, net of amortization	(73)	
Deferred advanced refunding differences on debt issuances, net of amortization	(327)	
		(30,783)
Change in net assets—governmental activities—statement of activities		$ (34,944)

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fund Net Assets
Proprietary Funds
June 30, 2006
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert—St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	$ 61,548	3,545	7,190	72,283	—
Unrestricted cash and cash equivalents	5,945	2,085	3,343	11,373	650
Investments - unrestricted	—	6,645	3,838	10,483	—
Receivables, net of allowances:					
Intergovernmental	14,891	—	—	14,891	—
Charges for services	9,441	6,034	77	15,552	—
Passenger facility charges	4,247	—	—	4,247	—
Accrued interest	613	63	—	676	—
Prepaid assets	—	—	—	—	30
Due from other funds	—	—	—	—	3,938
Advance to other funds	—	—	—	—	12,700
Inventories	1,813	2,107	—	3,920	—
Other current assets	2,096	—	15	2,111	—
Total current assets	100,594	20,479	14,463	135,536	17,318
Noncurrent assets:					
Investments - restricted	193,102	13,405	5,759	212,266	—
Capital assets:					
Property, plant, and equipment	1,312,900	254,439	57,800	1,625,139	236
Less accumulated depreciation	(481,637)	(109,432)	(12,687)	(603,756)	(167)
	831,263	145,007	45,113	1,021,383	69
Land	860,588	1,238	21,260	883,086	—
Construction-in-progress	60,787	7,408	—	68,195	—
Capital assets, net	1,752,638	153,653	66,373	1,972,664	69
Deferred charges and other assets	20,460	489	2,689	23,638	—
Total noncurrent assets	1,966,200	167,547	74,821	2,208,568	69
Total assets	2,066,794	188,026	89,284	2,344,104	17,387
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,374	1,933	188	5,495	427
Accrued salaries and other benefits	1,027	369	104	1,500	—
Accrued vacation, compensatory, and sick time benefits	5,173	3,195	195	8,563	—
Contracts and retainage payable	18,240	—	—	18,240	—
Accrued interest payable	22,533	722	597	23,852	—
Current portion of revenue bonds	13,960	2,645	1,582	18,187	—
Commercial paper payable	1,000	—	—	1,000	—
Due to other funds	3,236	2,725	1,428	7,389	2,299
Due to component unit	—	—	400	400	—
Claims payable	—	—	—	—	17,019
Deferred revenue	2,274	1,414	2,071	5,759	—
Total current liabilities	70,817	13,003	6,565	90,385	19,745
Noncurrent liabilities:					
Revenue bonds payable, net	862,894	28,058	60,579	951,531	—
Deposits held for others	—	1,904	—	1,904	—
Other liabilities	7,894	4,413	1,290	13,597	—
Total noncurrent liabilities	870,788	34,375	61,869	967,032	—
Total liabilities	941,605	47,378	68,434	1,057,417	19,745
NET ASSETS					
Invested in capital assets, net of related debt	991,086	123,168	6,461	1,120,715	69
Restricted:					
Debt service	78,414	7,231	12,949	98,594	—
Capital projects	—	7,813	—	7,813	—
Passenger facility charges	38,912	—	—	38,912	—
Unrestricted (deficit)	16,777	2,436	1,440	20,653	(2,427)
Total net assets	$ 1,125,189	140,648	20,850	1,286,687	(2,358)

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

Certain internal service fund activities are included within business-type activities	(1,259)
Net assets of business-type activities—government-wide statement of net assets	$ 1,285,428

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, 2006
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert—St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Aviation revenues	$ 74,463	—	—	74,463	—
Concessions	21,606	—	—	21,606	—
Water sales	—	41,949	—	41,949	—
Lease revenue	6,543	—	—	6,543	—
Parking	13,123	—	14,654	27,777	—
Charges for services	—	—	—	—	33,869
Miscellaneous	—	3,011	—	3,011	—
Total operating revenues	115,735	44,960	14,654	175,349	33,869
OPERATING EXPENSES					
Claims incurred	—	—	—	—	13,919
Premiums	—	—	—	—	3,204
Personal services	37,899	14,887	6,005	58,791	227
Material and supplies	4,392	7,636	243	12,271	19
Purchased power	—	2,517	—	2,517	—
Contractual services	32,848	4,173	1,299	38,320	—
Miscellaneous	—	2,927	484	3,411	—
Depreciation and amortization	31,025	4,503	2,254	37,782	13
Interfund services used	1,694	2,265	50	4,009	—
Total operating expenses	107,858	38,908	10,335	157,101	17,382
Operating income	7,877	6,052	4,319	18,248	16,487
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	6,673	—	—	6,673	—
Investment income	10,302	802	690	11,794	—
Interest expense	(39,594)	(1,655)	(3,634)	(44,883)	—
Passenger facility charges	33,434	—	—	33,434	—
Amortization of bond issue costs	(872)	(55)	—	(927)	—
Loss on disposal of capital assets	—	(11)	(99)	(110)	—
Miscellaneous, net	(210)	504	195	489	—
Total nonoperating revenues (expenses), net	9,733	(415)	(2,848)	6,470	—
Income before transfers, contributions and other	17,610	5,637	1,471	24,718	16,487
Transfers in	—	—	1,092	1,092	—
Transfers out	(5,407)	(2,561)	(525)	(8,493)	—
Capital contributions	38,239	62	—	38,301	—
Impairment of capital assets	(8,392)	—	—	(8,392)	—
Change in net assets	42,050	3,138	2,038	47,226	16,487
Total net assets—beginning of year	1,083,139	137,510	18,812		(18,845)
Total net assets—end of year	$ 1,125,189	140,648	20,850		(2,358)

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

Certain internal service fund activities are included within business-type activities	238
Change in net assets of business-type activities—government-wide statement of activities	$ 47,464

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Cash Flows
Proprietary Funds
For the Year ended June 30, 2006
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert—St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 110,657	43,972	14,252	168,881	21,093
Other operating cash receipts	141	—	341	482	—
Payments to suppliers of goods and services	(38,013)	(16,298)	(2,022)	(56,333)	(20,520)
Payments to employees	(35,343)	(14,165)	(5,792)	(55,300)	(227)
Payments for interfund services used	(2,617)	(2,768)	—	(5,385)	—
Net cash provided by operating activities	34,825	10,741	6,779	52,345	346
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	—	—	1,092	1,092	—
Transfers to other funds	(5,407)	(2,534)	(525)	(8,466)	—
Net cash provided by (used in) noncapital financing activities	(5,407)	(2,534)	567	(7,374)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash collections from passenger facility charges	29,187	—	—	29,187	—
Receipts from federal financing assistance	33,478	—	—	33,478	—
Acquisition and construction of capital assets	(157,205)	(5,417)	(575)	(163,197)	(31)
Proceeds from issuance of refunding bonds	303,217	—	—	303,217	—
Proceeds from issuance of commercial paper	4,000	—	—	4,000	—
Principal paid on commercial paper	(4,000)	—	—	(4,000)	—
Cash paid for bond issuance costs	(8,080)	—	—	(8,080)	—
Principal paid on revenue bond maturities	(23,390)	(2,500)	(1,727)	(27,617)	—
Cash paid for bond refunding	(296,007)	—	—	(296,007)	—
Cash paid for interest	(44,716)	(1,467)	(3,491)	(49,674)	—
Other capital and financing activities	—	372	208	580	—
Net cash used in capital and related financing activities	(163,516)	(9,012)	(5,585)	(178,113)	(31)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(1,725,091)	(138,118)	(28,429)	(1,891,638)	—
Proceeds from sales and maturities of investments	1,811,270	137,578	27,046	1,975,894	—
Investment income	11,028	787	692	12,507	—
Net cash provided by (used in) investing activities	97,207	247	(691)	96,763	—
Net increase (decrease) in cash and cash equivalents	(36,891)	(558)	1,070	(36,379)	315
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	8,162	2,396	7,290	17,848	335
Restricted	96,222	3,792	2,173	102,187	—
	104,384	6,188	9,463	120,035	335
End of year:					
Unrestricted	5,945	2,085	3,343	11,373	650
Restricted	61,548	3,545	7,190	72,283	—
	$ 67,493	5,630	10,533	83,656	650
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 7,877	6,052	4,319	18,248	16,487
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	31,025	4,503	2,254	37,782	13
Changes in assets and liabilities:					
Receivables, net	(6,332)	(632)	—	(6,964)	—
Inventories	101	(138)	—	(37)	—
Other assets, net	(96)	—	(280)	(376)	16
Accounts payable and accrued liabilities	(579)	(162)	23	(718)	(39)
Accrued salaries and other benefits	(19)	(269)	(143)	(431)	—
Claims payable	—	—	—	—	(385)
Deferred revenue	1,550	12	(61)	1,501	—
Due to/from other funds	58	151	311	520	(3,042)
Advance to other funds	—	—	—	—	(12,700)
Deposits held for others	—	286	—	286	—
Other long term liabilities	1,240	938	356	2,534	(4)
Total adjustments	26,948	4,689	2,460	34,097	(16,141)
Net cash provided by operating activities	$ 34,825	10,741	6,779	52,345	346

Supplemental disclosure for noncash financing activities
During the year ended June 30, 2006, the Airport recorded an impairment of capital assets of $8,392, which was recorded as a reduction to the carrying value of capital assets

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006
(dollars in thousands)

		Pension Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents—unrestricted	$	8,996	36,867
Investments—unrestricted		—	9,765
Pension trust investments—unrestricted:			
U. S. government securities		119,887	—
Corporate bonds		66,516	—
Domestic bond funds		40,045	—
Stocks		660,098	—
Foreign government obligations		15,783	—
Mortgage-backed securities		98,880	—
Collective investment funds		401,238	—
Real estate group annuity and equities		75,230	—
Investment property		1,854	—
Money market mutual funds and other short term investments		36,934	—
Managed international equity funds		118,323	—
Total investments		1,634,788	—
Securities lending collateral		39,130	—
Receivables, net of allowances:			
Taxes		—	25,202
Contributions		4,190	—
Accrued interest		3,480	—
Other		9,155	923
Capital assets		467	—
Total assets		1,700,206	72,757
LIABILITIES			
Accounts payable and accrued liabilities		1,758	947
Deposits held for others		1,116	36,536
Due to other governmental agencies		—	35,274
Securities lending collateral liability		39,130	—
Other liabilities		24,822	—
Total liabilities		66,826	72,757
NET ASSETS			
Net assets held in trust for pension benefits	$	1,633,380	—

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, 2006
(dollars in thousands)

		Pension Trust Funds
ADDITIONS		
Contributions:		
Members	$	6,642
Employers		28,262
Investment income:		
Interest and dividends		28,451
Net appreciation in fair value of investments		169,211
		197,662
Less investment expense		(6,242)
Net investment income		191,420
Total additions		226,324
DEDUCTIONS		
Benefits		98,157
Refunds of contributions		13,613
Administrative expense		2,454
Total deductions		114,224
Net increase		112,100
Net assets held in trust for pension benefits:		
Beginning of year		1,521,280
End of year	$	1,633,380

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 State). The City's current form of government is provided for in its charter, which first became effective in 1914 and has been subsequently amended by City voters. The City provides a wide range of municipal services as follows: fire and other public safety; parks and recreation; forestry; health, welfare, and other social services; street maintenance; refuse collection; public services; community and economic development; convention and tourism; and general administrative services. The City also owns and operates a water utility, parking facilities, and an international airport as self-supporting enterprises.

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

a. Reporting Entity

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

1) Blended Component Units

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

Public Facilities Protection Corporation (PFPC)

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

St. Louis Municipal Finance Corporation (SLMFC)

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

St. Louis 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, acquiring, leasing, or subleasing real property, and improvements thereon, and personal property to the City.

On November 1, 2005, the Secretary of State for the State of Missouri issued a Certificate of Termination for the SLMFC—II to the City upon the City's execution of Articles of Termination. This Certificate of Termination administratively dissolved the SLMFC—II on that date.

St. Louis Parking Commission Finance Corporation (SLPCFC)

The SLPCFC, established in 2003, is governed by a five-member board as appointed by the Parking Commission. The SLPCFC finances the purchase of and owns, leases and sells certain real property on behalf of the Parking Commission. SLPCFC is considered to be a component unit of the City because the Parking Division of the City of St. Louis (the Parking Division) is financially accountable for SLPCFC, as it appoints all of SLPCFC's directors and is able to impose its will on SLPCFC. The SLPCFC provides services entirely to the Parking Division and is reported as if it were part of the Parking Division because its sole purpose is to lessen the burden on the Parking Division by coordinating real property transactions.

2) Discretely Presented Component Units

The component unit columns in the statement of net assets and statement of activities include the financial data of the City's 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 (LCRA), the St. Louis Industrial Development Authority, the Planned Industrial Expansion Authority, the Local Development Company, and the St. Louis Port Authority. SLDC is included as a component unit of the City because the City is financially accountable for SLDC, as SLDC is fiscally dependent upon the City. SLDC is considered to be fiscally dependent on the City because SLDC may not legally issue bonded debt or implement a budget for its redevelopment activities until the City's Board of Alderman has approved the redevelopment project and declared the redevelopment area blighted.

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

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

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

The HSTRC was 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 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.

The dissolution of HSTRC and plan of liquidation was announced on March 13, 2003. HSTRC continued operations until the last resident was discharged on May 9, 2003. Activities relating to the operations of HSTRC ceased on May 31, 2003. The accompanying financial statements of HSTRC were therefore valued on a liquidation basis and are as of May 31, 2006. Separate financial statements are not prepared for HSTRC.

Solid Waste Management and Development Corporation (SWMDC)

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

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

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

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

3) Related Organizations

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

4) Joint Venture

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

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

b. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

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

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

1) Governmental Fund Types

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

The following are the City's governmental major funds:

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

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

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

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

2) Proprietary Fund Types

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

The following are the City's proprietary fund types:

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

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

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

3) Fiduciary Fund Types

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

c. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

d. Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1. The City tax rate levied in November 2005 was $1.4402 per $100 (in dollars) of assessed valuation of which $1.3074 (in dollars) is for the general fund and $0.1328 (in dollars) is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

e. Cash and Investments

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

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

f. Inventories

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

g. Capital Assets

1) Governmental Activities Capital Assets

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

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

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

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

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

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

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

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

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

2) Business-type Activities Capital Assets

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

(dollars in thousands)

3) Airport

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

	Years
Pavings	18 to 25
Buildings and facilities	20 to 30
Equipment	2 to 20

4) Water Division

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

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

	Years
Buildings and structures	44 to 55
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

5) Parking Division

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

	Years
Buildings and parking garages	10 to 40
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

6) Mailroom

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

7) Component Unit—SLDC

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

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

8) Component Unit—SLPD

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

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

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

9) Component Unit—SWMDC

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

h. Long-term Liabilities

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

i. Passenger Facility Charges (PFCs)

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

j. Capital Contributions

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

k. Capitalization of Interest

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

l. Amortization

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

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

m. Compensated Absences

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal week that are not taken within the current bi-weekly pay period. These benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The entire accrued benefit liability related to the City's compensated absences has been recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (that is, matured) during the fiscal year ended June 30, 2006.

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

Component Unit—SLPD

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

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

Both commissioned and civilian employees accumulate sick leave hours and will be paid a minimum of 25% of their unused sick leave upon termination of employment. The liability for accrued sick leave pay has been calculated using the vesting method. Commissioned and civilian employees retiring from SLPD with 1600+ hours of sick leave accrued and 20+ years of service will be paid 25% of their unused sick leave plus one additional month's salary. Commissioned employees retiring from SLPD with 2200+ hours of sick leave accrued and 30+ years of service will be paid 50% of their unused sick leave. Civilian employees retiring from SLPD with 2200+ hours of sick leave accrued and 85 points (years of service plus age) or age 65 will be paid 50% of their unused sick leave.

n. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances, which serves as authorization for expenditures in the subsequent year. Of encumbrances outstanding at year-end, $40,019 will remain in force and will be liquidated under the current year's budget and $538 will automatically be re-appropriated and re-encumbered as part of subsequent year budgets.

o. Interfund Transactions

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

1) Transfers

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

2) Interfund Services Provided/Used

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

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

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

p. Reserved Fund Balance

Within the governmental fund financial statements, reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use. In addition to encumbrances, reserved fund balances at June 30, 2006 are comprised of the following:

1) General Fund

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

2) Capital Projects Fund

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

3) Other Governmental Funds

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

q. Net Assets

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

1) Invested in Capital Assets, Net of Related Debt

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

2) Restricted

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

3) Unrestricted

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

r. Statement of Cash Flows

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

s. Use of Estimates

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

(dollars in thousands)

t. Individual Fund Deficit

At June 30, 2006, the grants fund has a deficit fund balance of $(62). This amount will be offset by future commissions. The mail room services internal service fund and the health internal service fund have deficit net assets of $(84) and $(2,274), respectively. These accumulated deficits will be offset by charges for services to other funds in future years.

2. DEPOSITS AND INVESTMENTS

a. Primary Government

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2006:

		Cash and Cash Equivalents	**Investments**	**Restricted Assets**	**Total**
Government-wide statement of net assets	$	36,462	97,627	355,004	489,093
Fiduciary statement of fiduciary net assets—agency funds		36,867	9,765	—	46,632
Total primary government excluding pension trust funds		73,329	107,392	355,004	535,725
Fiduciary statement of fiduciary net assets—pension trust funds:					
Firemen's System		3,659	409,333	—	412,992
Police System		5,180	698,918	—	704,098
Employees' System		157	526,537	—	526,694
Total pension trust funds		8,996	1,634,788	—	1,643,784
Total primary government	$	82,325	1,742,180	355,004	2,179,509

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

(dollars in thousands)

1) Primary Government Excluding Pension Trust Funds

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

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

As of June 30, 2006, the primary government (excluding the pension trust funds) had the following cash deposits and investments:

Federal National Mortgage Association	$	59,063
Federal Home Loan Mortgage Corp.		180,845
Federal Farm Credit Discount Note		6,717
Federal Home Loan Bank		49,290
United States Treasuries		26,135
Government Backed Trusts		927
Guaranteed Investment Contract		10,987
Commercial Paper		7,722
Money Market Mutual Funds		40,972
Certificates of Deposit		33,091
Other Cash Deposits		119,976
	$	535,725

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

Additionally, the City’s indentures with its bond trustees also permit City bond proceeds to be invested in commercial paper having an original maturity of 270 days or less and rated “A-l” or better by Standard & Poor’s Corporation and “P-l” by Moody’s Investors Service, money market funds rated “AAAM” or “AAAM-G” by Standard & Poor’s Corporation, and other obligations fully and unconditionally guaranteed by the U.S. government. These investments, while permitted by the indentures with the bond trustees, are not permitted by the Investment Policy for the City of St. Louis, Missouri (Investment Policy).

(dollars in thousands)

Interest Rate Risk

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

The investments of the primary government (excluding the pension trust funds) had the following maturities on June 30, 2006:

			Investment maturities (in years)			
		Fair Value	**Less than 1**	**1-5**	**6-10**	**More than 10**
Federal National Mortgage Association	$	59,063	53,510	—	3,369	2,184
Federal Home Loan Mortgage Corp.		180,845	180,109	—	—	736
Federal Farm Credit Discount Note		6,717	6,717	—	—	—
Federal Home Loan Bank		49,290	49,290	—	—	—
United States Treasuries		26,135	25,810	—	—	325
Government Backed Trusts		927	—	—	927	—
Guaranteed Investment Contract		10,987	—	—	—	10,987
Commercial Paper		7,722	7,722	—	—	—
	$	341,686	323,158	—	4,296	14,232

Credit Risk

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

(dollars in thousands)

The investments of the primary government (excluding the pension trust funds) were rated as follows by Standard & Poor's Corporation as of June 30, 2006:

	Fair Value	AAA	AA-	A-1+	A-1	Not Rated
Federal National Mortgage Association	$ 59,063	54,494	—	4,569	—	—
Federal Home Loan Mortgage Corp.	180,845	128,701	736	51,408	—	—
Federal Farm Credit Discount Note	6,717	6,717	—	—	—	—
Federal Home Loan Bank	49,290	11,746	—	37,544	—	—
United States Treasuries	26,135	—	—	—	—	26,135
Government Backed Trusts	927	927	—	—	—	—
Guaranteed Investment Contract	10,987	—	—	—	—	10,987
Commercial Paper	7,722	—	—	—	7,722	—
	$ 341,686	202,585	736	93,521	7,722	37,122

Custodial Credit Risk

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

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

At June 30, 2006, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: $18,341 of Federal National Mortgage Association securities, $9,520 of Federal Home Loan Mortgage Corporation securities, $2,225 of Federal Home Loan Bank securities, $6,548 of U.S. Treasury securities, and the $10,987 guaranteed investment contract. All remaining City investments and collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

(dollars in thousands)

Concentration of Credit Risk

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

At June 30, 2006, the concentration of the City's deposits and investments was as follows:

Federal National Mortgage Association	11.03	%
Federal Home Loan Mortgage Corp.	33.79	
Federal Farm Credit Discount Note	1.25	
Federal Home Loan Bank	9.21	
United States Treasuries	4.88	
Government Backed Trusts	0.17	
Guaranteed Investment Contract	2.05	
Commercial Paper	1.44	
Money Market Mutual Funds	7.65	
Certificates of Deposit	6.18	
Other Cash Deposits	22.35	
	100.00	

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

As of September 30, 2005, the Firemen's System had the following cash deposits and investments:

Common Stock	$	168,922
Collective Investment—Equity		120,332
Corporate Obligations		115
Collective Investment—Bonds		114,748
U.S. Government Securities		6
Money Market Funds		5,210
Other Cash Deposits		3,659
	$	412,992

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

(dollars in thousands)

The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Firemen's System as of September 30, 2005:

	Fair Value	No Maturity	Investment maturities (in years) Less than 1	1-5	6-10	More than 10
Common Stock	$ 168,922	168,922	—	—	—	—
Collective Investment—Equity	120,332	120,332	—	—	—	—
Corporate Obligations	115	—	—	—	—	115
Collective Investment—Bonds	114,748	—	746	114,002	—	—
U.S. Government Securities	6	—	—	—	—	6
Money Market Funds	5,210	5,210	—	—	—	—
	$ 409,333	294,464	746	114,002	—	121

The Firemen's System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2005:

Credit Rating Level	Common Stock	Collective Investment	Corporate Obligations	Government Securities	Money Market
Agency	$ —	—	—	6	—
AAA	—	746	115		—
AA	—	114,002	—	—	—
A	—	—	—	—	—
BBS	—	—	—	—	—
BB	—	—	—	—	—
Not Rated	168,922	120,332	—		5,210
	$ 168,922	235,080	115	6	5,210

(dollars in thousands)

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Firemen's System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Firemen's System's current level of foreign currency exposure as of September 30, 2005:

	Money Market	Equities	Fixed Income	Total
Australian Dollar	$ —	1,873	—	1,873
Bermuda Dollar	—	208	—	208
British Pound Sterling	—	7,656	—	7,656
Canadian Dollar	—	3,433	—	3,433
Danish Krone	—	322	—	322
Euro	—	15,383	—	15,383
Hong Kong Dollar	—	977	—	977
Japanese Yen	—	15,078	—	15,078
Norwegian Krone	—	950	—	950
Portugal Escudo	—	282	—	282
Spanish Peseta	—	2,964	—	2,964
Swedish Krona	—	1,227	—	1,227
Swiss Franc	—	2,276	—	2,276
Taiwan Dollar	—	1,603	—	1,603
Total Foreign Currency	—	54,232	—	54,232
United States Dollar	5,210	235,022	114,869	355,101
Total	$ 5,210	289,254	114,869	409,333

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

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Firemen's System does not have a written investment policy covering interest rate risk.

(dollars in thousands)

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

Asset Class as a Percent of Total Assets

Asset Class	**Minimum**	**Target Mix**	**Maximum**
Domestic Equity:			
Large Cap	35%	40	45
Small Cap	8	10	12
Domestic Fixed Income	27	30	33
International Equities	12	15	18
Real Estate	2	5	8

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

PanAgora Bond Index Fund	$114,748
PanAgora Equity Index	81,279
Artisan International Stock	39,052

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 September 30, 2005, $32,129 in loans was outstanding to borrowers. The Firemen's System earned income of $100 for its participation in the securities lending program for the year ended September 30, 2005.

(dollars in thousands)

3) Primary Government—Pension Trust Fund—Police System

As of September 30, 2005, the Police System had the following cash deposits and investments:

Equities:		
Common Stock	$	253,348
Collective Investment Funds		166,158
Real Estate Equities		19,001
Mortgaged-Backed Securities—Government		72,860
Mortgaged-Backed Securities—Nongovernment		26,020
Corporate Bonds		46,273
Government Securities		87,198
Short-Term Notes and Commercial Paper		3,761
Money Market Funds		22,445
Investment Property		1,854
Other Cash Deposits		5,180
	$	704,098

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

(dollars in thousands)

The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Police System as of September 30, 2005:

			Investment maturities (in years)			
	Fair Value	**No Maturity**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Equities:						
Common Stock	$ 253,348	253,348	—	—	—	—
Collective Investment Funds	166,158	166,158	—	—	—	—
Real Estate Equities	19,001	19,001	—	—	—	—
Mortgaged-Backed Securities—Government	72,860	—	—	472	425	71,963
Mortgaged-Backed Securities—Nongovernment	26,020	—	—	2,152	1,572	22,296
Corporate Bonds	46,273	—	5,435	8,511	21,502	10,824
Government Securities	87,198	—	4,683	44,123	22,268	16,124
Short-Term Notes and Commercial Paper	3,761	3,761	—	—	—	—
Money Market Funds	22,445	22,445	—	—	—	—
Investment Property	1,854	1,854	—	—	—	—
	$ 698,918	466,567	10,118	55,258	45,767	121,207

The Police System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2005:

Credit Rating Level	**Equities**	**Government Mortgage Backed Securities**	**Nongovernment Mortgage Backed Securities**	**Corporate Bonds**	**Government Securities**	**Short-term Notes and Commercial Paper**	**Money Market Fund**	**Investment Property**
Agency	$ —	72,860	—	—	14,186	—	—	—
AAA	—	—	20,508	3,348	71,294	—	—	—
AA	—	—	1,768	2,686	957	—	—	—
A	—	—	1,589	22,925	368	—	—	—
BBB	—	—	405	11,052	393	—	—	—
BB	—	—	—	1,798	—	—	—	—
B	—	—	—	3,534	—	—	—	—
Not Rated	438,507	—	1,750	930	—	3,761	22,445	1,854
	$ 438,507	72,860	26,020	46,273	87,198	3,761	22,445	1,854

(dollars in thousands)

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Police System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Police System's current level of foreign currency exposure as of September 30, 2005:

		Money Money Market/ Commercial Paper	**Investment Property**	**Equities**	**Fixed Income**	**Total**
Australian Dollar	$	—	—	—	431	431
Bazilian Real		—	—	—	433	433
British Pound Sterling		—	—	2,456	862	3,318
Canadian Dollar		—	—	2,963	384	3,347
Cayman Islands Dollar		—	—	302	728	1,030
Chilean Peso		—	—	—	758	758
Euro		—	—	3,480	1,535	5,015
Indian Rupee		—	—	588	—	588
Israeli Shekel		—	—	402	—	402
Mexican Peso		—	—	846	580	1,426
Norwegian Krone		—	—	—	276	276
Polish Zloty		—	—	—	31	31
Swedish Krona		—	—	336	—	336
Swiss Franc		—	—	1,780	—	1,780
Total Foreign Currency		—	—	13,153	6,018	19,171
United States Dollar		26,206	1,854	425,354	226,333	679,747
Total	$	26,206	1,854	438,507	232,351	698,918

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

(dollars in thousands)

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

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

Asset Class as a Percent of Total Assets

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

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

MFB Daily S&P 500 Equity Index	$94,763
CF Clay Finlay Group Trust	36,030
CF TBC International Equity Pooled	35,363

The Police System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest, and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 60% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 40% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and counterparty risk. The Police System authorizes the lending of domestic securities, U. S. Treasuries, corporate bonds, and equities. The Police System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2005, outstanding loans to borrowers were $104,020. The Police System earned income of $126 for its participation in the securities lending program for the year ended September 30, 2005.

(dollars in thousands)

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

As of September 30, 2005, the Employees' System had the following cash deposits and investments:

Stocks	$	237,828
Managed International Equity Funds		118,323
Corporate Bonds and Debentures		20,128
Foreign Governmental and Corporate Obligations		15,783
Domestic Bond Funds		40,045
Real Estate Fund		56,229
United States Government and Agency Securities		32,683
Temporary Cash Investments		5,518
Other Cash Deposits		157
	$	526,694

Foreign Currency Risk

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

		Short-Term	Debt	Equity	Total
Canadian Dollar	$	—	1,253	—	1,253
Euros		—	8,895	—	8,895
Japanese Yen		—	3,047	—	3,047
Total	$	—	13,195	—	13,195

(dollars in thousands)

Credit Risk of Debt Securities

The Employees' System's rated debt investments as of September 30, 2005 were rated by Standard & Poor's, and the ratings are presented using the Standard & Poor's rating scale. The Employees' System's policy to limit credit risk is that fixed income securities shall be limited to those with a Standard & Poor's rating of investment grade (BBB/Baa) or better.

	AAA	AA+	AA-
Corporate Bonds and Debentures	$ 3,740	—	968
Foreign Government and Corporate Obligations	8,508	834	2,262
Domestic Bond Funds	31,315	1,962	—
U.S. Government Securities	18,688	—	—
U.S. Government Agency Securities	10,755	—	—
Total	$ 73,006	2,796	3,230

	A+	A	A-
Corporate Bonds and Debentures	$ 4,150	4,367	2,088
Foreign Government and Corporate Obligations	1,039	135	250
Domestic Bond Funds	—	3,524	—
U.S. Government Securities	—	—	—
U.S. Government Agency Securities	—	—	—
Total	$ 5,189	8,026	2,338

	BBB+	BBB	BBB-	Unrated
Corporate Bonds and Debentures	$ 2,667	1,071	1,003	74
Foreign Government and Corporate Obligations	128	—	—	2,627
Domestic Bond Funds	—	3,244	—	—
U.S. Government Securities	—	—	—	—
U.S. Government Agency Securities	—	—	—	3,240
Total	$ 2,795	4,315	1,003	5,941

(dollars in thousands)

Interest Rate Risk

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

		Investment maturities (in years)			
	Fair Value	**Less than 1**	**1 – 5**	**6 – 1 0**	**More than 10**
U.S. Government Securities	$ 12,155	—	4,269	7,886	—
Agency Securities	20,528	2,090	7,952	2,190	8,295
Corporate Bonds and Debentures	20,128	2,547	7,554	7,387	2,640
Foreign Government and Corporate Obligations	15,783	—	7,285	5,838	2,660
Domestic Bond Funds	40,045	5,206	13,215	19,622	2,002
	$ 108,639	9,843	40,275	42,923	15,597

The Employees' System permits its investment manager to utilize financial derivative instruments such as forwards, futures, and options. The use of these financial derivatives is defensive in nature, that is, used only to manage duration and foreign currency exposure and bond exposure. Open currency exposure shall not exceed 10% of the global fixed income portfolio. As of September 30, 2005, the Employees' System had a net receivable of $354 (cost $0) based on current market values.

The Employees' System participates in a securities lending program administered by a financial institution. Brokers who borrow the securities provide collateral, usually in the form of cash valued at 102% for domestic securities. There are no restrictions on the amount of securities that can be lent at one time. At September 30, 2005, the term to maturity of the securities lent is matched with the term to maturity of the investment of the cash collateral. These loans can be terminated on demand by either the lender or borrower. The Employees' System cannot pledge or sell non-cash collateral unless the borrower defaults. As of September 30, 2005, the Employees' System has lending arrangements outstanding with a market value for securities lent of $38,262 and a total market value for securities received as collateral of $39,130 resulting in no credit risk for the Employees' System.

(dollars in thousands)

Concentration of Credit Risk

At September 30, 2005, the Employees' System has the following concentrations, defined as investments (other than those issued or guaranteed by the U.S. government) in any one organization, that represent five percent or more of total investments:

State Street Global Advisors	
Passive Bond Market Index Fund	$40,045
Silchester International Investors	
International Value Equity Group Trust	$65,366
Walter Scott & Partners Limited	
Group Trust International	$52,956
Principal Global Investors	
Real Estate Group Annuity Contract	$56,228

b. Component Unit—SLDC

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name. At June 30, 2006, all of SLDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in SLDC's name. At June 30, 2006, the market value of investments approximates the carrying value of $27.

c. Component Unit—SLPD

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

As of June 30, 2006, the SLPD had the following cash deposits and investments:

Federal Home Loan Discount Notes	$	3,123
Money Market Mutual Funds		690
Other cash deposits		1,511
Total	$	5,324

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

Interest Rate Risk

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

The investment had the following maturities on June 30, 2006:

	Maturity		**Carrying Value**
Federal Home Loan Discount Notes	July 26, 2006	$	3,123

Credit Risk

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

The SLPD's investments in Federal Home Loan Discount Notes as of June 30, 2006, were rated AAA by Moody's Investor Service and Standard & Poor's.

Custodial Credit Risk

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

(dollars in thousands)

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

At June 30, 2006, all SLPD investments and all collateral securities pledged against SLPD deposits are held by the counterparty's trust department or agent in the SLPD's name.

Concentration of Credit Risk

The SLPD has no investment policy related to the concentration of credit risk. At June 30, 2006, the concentration of the SLPD's investments (excluding cash deposits) was as follows:

	Concentration
Federal Home Loan Discount Note	82%
Money Market Mutual Funds	18%
	100%

d. Component Unit—HSTRC

At May 31, 2006, the carrying amount of HSTRC's cash deposits was $31 and was insured by the Federal Deposit Insurance Corporation (FDIC).

(dollars in thousands)

e. Component Unit—SWMDC

At June 30, 2006, all of SWMDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in the City's name. SWMDC's investments of $685 at year-end consisted entirely of Federal Home Loan Mortgage Corporation and Federal National Mortgage Securities with less than one year to maturity and rated AAA by Standard & Poor's Corporation.

3. RECEIVABLES, NET

		Taxes	Intergovern-mental	Charges for Services	Notes and Loans	Other	Total Receivables
Governmental activities:							
General fund	$	87,235	3,841	303	—	3,470	94,849
Capital projects fund		2,765	3,177	—	—	2	5,944
Grants fund		—	4,597	—	—	—	4,597
Other governmental funds		24,597	1,019	1,154	90	116	26,976
Internal service funds		—	—	—	—	—	—
Total governmental activities	$	114,597	12,634	1,457	90	3,588	132,366
Business-type activities:							
Airport	$	—	14,891	9,441	—	4,860	29,192
Water Division		—	—	6,034	—	63	6,097
Parking Division		—	—	77	—	—	77
Total business-type activities	$	—	14,891	15,552	—	4,923	35,366

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

(dollars in thousands)

4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

Governmental activities:		
Taxes receivable—general fund	$	903
Taxes receivable—other governmental funds		130
Charges for services receivable—general fund		63
Charges for services receivable—other governmental funds		352
Business-type activities:		
Charges for services receivable—Airport		746
Charges for services receivable—Water Division		3,276
	$	5,470

5. COMPONENT UNIT—SLDC RECEIVABLES

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

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2006:

Airport bond fund:		
Debt service account	$	36,872
Debt service reserve account		40,929
Airport renewal and replacement fund		3,500
Passenger facility charge fund		30,018
Airport development fund		62,650
Airport construction fund		78,429
Drug enforcement agency funds		2,252
	$	254,650

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 moneys in said fund are equal to or greater than $3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

5) *A sub-account in the Airport Revenue Fund:* an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such sub-account shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this sub-account may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.

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 that are owned or operated by the City and are directly related to the actual transportation of passengers or property.

(dollars in thousands)

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, 2006 are as follows:

Bond funds:		
Waterworks bond and interest account	$	3,371
Water revenue bond reserve account		3,146
Water replacement and improvement account		714
Total bond funds		7,231
Construction funds		7,813
Customer deposits		1,906
	$	16,950

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

1) 1994 Water Revenue Bond Funds

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

To the Waterworks Bond and Interest Account, an amount at least equal to 1/6 of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to 1/12 of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payments of bonds principal and interest, as the same shall become due.

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.

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.

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.

2) 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.

3) 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.

4) 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.

5) Service Line Maintenance

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

(dollars in thousands)

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2006 are as follows:

Series 2002, 1999, and 1996 bonds:		
Debt service reserve	$	5,773
Repair and replacement		2,631
Debt service		463
Parking trust—Parking Division accounts		3,735
Total series 2002, 1999, and 1996 bonds		12,602
Series 2003A and 2003B bonds:		
Gross revenues		141
Bond		68
Repair and replacement		30
Operating reserve		100
Redemption		8
Total series 2003A and 2003B bonds		347
	$	12,949

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

1) *Debt service reserve*—Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available

2) *Construction*—Used to pay construction costs to complete the respective projects

3) *Debt Service*—Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds

4) *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

5) *Repair and Replacement* – Provides for the repair and upkeep of the Kiel Parking Garage.

The Series 1999 and 1996 Bond indentures specify how funds are to be deposited into these restricted accounts. Payment for the bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all net project revenues and, by the 10th business day of each month, the treasurer is required to deposit into the Treasurer's Parking Facilities Debt Service Account such net project revenues in the following order of priority, first for transfer to the trustee for deposit (a) into the Debt Service Fund for each series of bonds outstanding the amount of moneys required to meet the debt service requirements for such series for at least one bond year; (b) into the Debt Service Reserve Fund for each series of bonds outstanding amounts, if any, required to cure any deficiency in such Debt Service Reserve Fund; (c) into the series account in the Parking Trust Fund for each series of bonds outstanding to repay, on a pro rata basis, but subject to the Indenture, any amounts drawn from the Parking Division Account in the Parking Trust Fund and the Traffic Violations Bureau (TVB) account in the Parking Trust Fund in connection with the bonds; and (d) into the Treasurer's Parking Facilities Renewal and Replacement Account to the extent required in the indenture. If there are insufficient net project revenues to make the payments provided herein as the same become due, a pro rata amount shall be deposited for each series of bonds and the treasurer shall pay out of the net project revenues received by the treasurer during the next succeeding months, to the extent there are surplus funds remaining after the required deposits for such months, such sums as are necessary to make up such shortfalls.

The Series 2002 Bonds are subordinated bonds, meaning that Parking Division revenues are applied to the Series 2002 Bond accounts only after the other bond accounts have been satisfied. Payment for the Series 2002 Bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all receipts from the financed facilities and deposit such funds in the Treasurer's Parking Facilities Subordinated Revenue Account. By the 10th day of each month, net project revenues attributable to the financed facilities, on a modified cash basis, for the preceding month, shall be transferred to the trustee for deposit in the net project revenues account of the Revenue Fund. Promptly upon receipt, the trustee shall transfer moneys held in the net Project Revenues Account, first, to the Interest Account of the Debt Service Fund until the amount on deposit in such account equals the amount required to pay interest on the bonds on the next interest payment date and, second, to the Principal Account of the Debt Service Fund until the amount on deposit therein equals the amount required to pay the principal of, including any redemption premium related to, the bonds on the next principal payment date which is not more than one year after the date of deposit. Any moneys remaining after such deposits shall be transferred; first, to the Debt Service Reserve Fund until the amount on deposit therein is equal to the Debt Service Reserve Fund requirement; second, to the Special Reserve Fund, if and to the extent required by the indenture; third, to the Treasurer's Parking Facilities Subordinated Renewal and Replacement Account, until the amount on deposit therein is equal to the amount, if any, established by the treasurer based on the recommendation of a consultant selected by the Parking Commission of the City of St. Louis and any moneys remaining thereafter shall then be released to the treasurer free and clear of the lien of the indenture.

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

1) *Gross Revenues*—Maintains revenues resulting from the operations of the Cupples Garage and uses these to pay the operating and debt service costs associated with the Cupples Garage

2) *Bonds*—Moneys deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B Bonds

3) *Repair and Replacement*—Provides for the repair and upkeep of the Cupples Garage

(dollars in thousands)

4) *Operating Reserve*—Maintains operating reserve as required by the Bond indenture

5) *Redemption*—Maintains funds set aside for the future redemption of the Series 2003A and 2003 Bonds

As specified by the Series 2003A and 2003B bond indenture, the revenues from the operation of the Cupples Garage are deposited into the Gross Revenues Fund. By the 25th of each month, the Trustee is required to first pay from the Gross Revenue Fund all operating expenses associated with the Cupples Garage, all rent for surface lots surrounding the Cupples Garage, and all fees due to the Trustee. Secondly, the Trustee is required to transfer from the Gross Revenues Fund to the Bond Fund an amount equal to the debt service required to be paid on the next interest payment date for the Series 2003A and 2003B Bonds. Thirdly, the Trustee is required to transfer 1% of the gross revenues received during the month to the Repair and Replacement Fund, provided that the balance in the Repair and Replacement Fund does not exceed $250. Fourthly, the Trustee is required to transfer from the Gross Revenue Fund to the Operating Reserve Fund any amount necessary to bring the Operating Reserve Fund to the $100 balance required by the Bond indenture. Fifthly, the Trustee is required to transfer 75% of the remaining balance in the Gross Revenue Fund to the Redemption Fund. Finally, the Trustee is required to transfer any remaining balance in the Gross Revenue Fund to the Parking Division as a management fee.

d. Component Unit—SLDC

Restricted cash and investments at June 30, 2006 are as follows:

Bond funds	$	2,128

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 $2,128.

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

e. Component Unit—SLPD

SLPD restricted assets of $690 at June 30, 2006 represent mutual funds restricted in accordance with debt covenants.

(dollars in thousands)

7. CAPITAL ASSETS

a. Primary Government

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 77,419	12	(79)	—	77,352
Construction in progress	79,755	16,848	—	(38,000)	58,603
Works of art	2,955	—	—	99	3,054
Total capital assets not being depreciated	160,129	16,860	(79)	(37,901)	139,009
Capital assets being depreciated:					
Buildings	395,907	1,224	(96)	19,024	416,059
Improvements other than buildings	73,158	1,947	—	275	75,380
Equipment	99,021	2,057	(2,372)	—	98,706
Infrastructure	409,667	6,953	—	18,602	435,222
Total capital assets being depreciated	977,753	12,181	(2,468)	37,901	1,025,367
Less accumulated depreciation for:					
Buildings	100,743	9,978	—	—	110,721
Improvements other than buildings	15,627	1,925	—	—	17,552
Equipment	48,506	6,355	(2,039)	—	52,822
Infrastructure	195,457	19,171	—	—	214,628
Total accumulated depreciation	360,333	37,429	(2,039)	—	395,723
Total capital assets being depreciated, net	617,420	(25,248)	(429)	37,901	629,644
Governmental activities capital assets, net	$ 777,549	(8,388)	(508)	—	768,653

Construction in progress consists primarily of firehouse renovations and street and bridge projects.

Included in the governmental activities capital assets is an idle capital asset that the City has determined to be impaired. This capital asset's carrying value is $5,294 at June 30, 2006. No impairment loss was recognized for the year ended June 30, 2006 as the asset was already carried at the lower of cost or fair market value.

(dollars in thousands)

The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2006. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Business-type activities:					
Combined:					
Capital assets not being depreciated:					
Land	$ 851,481	37,001	(5,444)	48	883,086
Construction-in-progress	527,706	106,271	—	(565,782)	68,195
Total capital assets not being depreciated	1,379,187	143,272	(5,444)	(565,734)	951,281
Capital assets being depreciated:					
Buildings and structures	466,758	6,926	(126)	8,293	481,851
Equipment	72,185	3,950	(1,675)	2,042	76,502
Pavings	310,841	668	(5,398)	553,422	859,533
Parking meters and lot equipment	6,041	19	(263)	—	5,797
Reservoirs	34,448	65	—	—	34,513
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,592	—	—	276	8,868
Purification basins and equipment	38,226	5	—	1,701	39,932
Water mains, lines, and accessories	105,814	3,128	(10)	—	108,932
Motor vehicle equipment	8,353	438	(241)	—	8,550
Total capital assets being depreciated	1,051,919	15,199	(7,713)	565,734	1,625,139
Less accumulated depreciation for:					
Buildings and structures	248,183	15,056	(121)	—	263,118
Equipment	58,445	4,469	(1,640)	—	61,274
Pavings	184,615	13,073	(1,120)	—	196,568
Parking meters and lot equipment	3,696	428	(166)	—	3,958
Reservoirs	5,980	664	—	—	6,644
Boiler plant equipment	615	4	—	—	619
Pumping equipment	7,470	155	—	—	7,625
Purification basins and equipment	10,056	737	—	—	10,793
Water mains, lines, and accessories	46,786	1,312	(6)	—	48,092
Motor vehicle equipment	4,768	538	(241)	—	5,065
Total accumulated depreciation	570,614	36,436	(3,294)	—	603,756
Total capital assets being depreciated, net	481,305	(21,237)	(4,419)	565,734	1,021,383
Business-type activities capital assets, net	$ 1,860,492	122,035	(9,863)	—	1,972,664

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

(dollars in thousands)

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

Governmental activities:		
General government	$	5,009
Convention and tourism		4,228
Parks and recreation		2,481
Judicial		352
Streets		22,160
Public safety:		
Fire		1,793
Other		767
Health and welfare		426
Public service		213
Total depreciation expense, governmental activities	$	37,429
Business-type activities:		
Airport	$	29,791
Water Division		4,503
Parking Division		2,142
Total depreciation expense, business-type activities	$	36,436

(dollars in thousands)

b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets not being depreciated:				
Land	$ 4,914	—	—	4,914
Total capital assets not being depreciated	4,914	—	—	4,914
Capital assets being depreciated:				
Leasehold improvements	3,000	—	—	3,000
Equipment	648	10	—	658
Parking facilities	18,897	—	—	18,897
Total capital assets being depreciated	22,545	10	—	22,555
Less accumulated depreciation for:				
Leasehold improvements	900	200	—	1,100
Equipment	639	4	—	643
Parking facilities	8,599	602	—	9,201
Total accumulated depreciation	10,138	806	—	10,944
Total capital assets being depreciated, net	12,407	(796)	—	11,611
SLDC capital assets, net	$ 17,321	(796)	—	16,525

(dollars in thousands)

c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets not being depreciated:				
Land	$ 1,646	—	—	1,646
Total capital assets not being depreciated	1,646	—	—	1,646
Capital assets being depreciated:				
Buildings and improvements	38,729	973	—	39,702
Furniture, fixtures, and other equipment	2,829	206	—	3,035
Automotive equipment	8,966	1,959	1,086	9,839
Communications equipment	4,691	16	212	4,495
Computers and software	2,856	321	—	3,177
Aircraft	258	—	—	258
Total capital assets being depreciated	58,329	3,475	1,298	60,506
Less accumulated depreciation for:				
Buildings and improvements	15,968	702	—	16,670
Furniture, fixtures, and other equipment	1,717	420	—	2,137
Automotive equipment	6,695	1,495	998	7,192
Communications equipment	4,036	219	211	4,044
Computers and software	1,687	410	—	2,097
Aircraft	250	4	—	254
Total accumulated depreciation	30,353	3,250	1,209	32,394
Total capital assets being depreciated, net	27,976	225	89	28,112
SLPD capital assets, net	$ 29,622	225	89	29,758

(dollars in thousands)

d. Component Unit—SWMDC

		Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets being depreciated:					
Infrastructure	$	7,940	116	—	8,056
Total capital assets being depreciated		7,940	116	—	8,056
Less accumulated depreciation for:					
Infrastructure		2,411	254	—	2,665
Total accumulated depreciation		2,411	254	—	2,665
SWMDC capital assets, net	$	5,529	(138)	—	5,391

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, 2006, SLDC has established a reserve for impairment of $5,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		Vendors	Contracts and retainage payable	Total
Governmental activities:				
General fund	$	4,610	316	4,926
Capital projects fund		3,978	2,907	6,885
Grants fund		5,697	—	5,697
Other governmental funds		635	61	696
Internal service		427	—	427
Total governmental activities	$	15,347	3,284	18,631
Business-type activities:				
Airport	$	3,374	18,240	21,614
Water Division		1,933	—	1,933
Parking Division		188	—	188
Total business-type activities	$	5,495	18,240	23,735

(dollars in thousands)

10. RETIREMENT PLANS

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

System	System Fiscal Year-end
Firemen's	September 30, 2005
Police	September 30, 2005
Employees'	September 30, 2005

a. *Firemen's Retirement System of St. Louis*

1) System Description

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

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

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation.

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

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP is available to members of the Firemen's 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 1% from the normal 8%. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

(dollars in thousands)

2) Funding Policy

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

3) Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Firemen's System for the year ended June 30, 2006 are as follows:

Annual required contribution	$	(14,766)
Interest on net pension asset		1,050
Adjustment to annual required contribution		(1,180)
Annual pension cost		(14,896)
Contributions made		4,110
Decrease in net pension asset		(10,786)
Net pension asset, beginning of year		13,776
Net pension asset, end of year	$	2,990

The net pension asset of $2,990 as of June 30, 2006, 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
2006	$	14,896	28	%	$	2,990
2005		9,926	21			13,776
2004		4,517	46			21,647

(dollars in thousands)

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

Date of actuarial valuation	October 1, 2005
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 years from establishment, closed-period
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.500%, per year to retirement age
Projected postretirement benefit increases	5.000% with a maximum of 25% in increases after age 60

4) Lawsuit

The Firemen's System has filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Firemen's System for the City's 2004, 2005 and 2006 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court. The fiscal year 2005 and 2006 suits are pending the outcome of the fiscal year 2004 suit. The City has determined that it is probable that it will be required to remit these contributions. However, no additional liability has been recorded as the net pension asset already recorded reflects the City's overpayment or underpayment of actuarially determined annual required contributions to the Firemen's System Plan at June 30, 2006. A similar lawsuit has been filed against the City by the Firemen's System relating to fiscal year 2007 contributions.

b. *Police Retirement System of St. Louis*

1) System Description

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

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

(dollars in thousands)

System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by the State statute.

During the Police System year ended September 30, 1996, 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.

2) Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty (prior to October 1, 2001, only if 100% disabled), the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police System for the year ended June 30, 2006 are as follows:

Annual required contribution	$	(14,940)
Interest on net pension obligation		(999)
Adjustment to annual required contribution		1,521
Annual pension cost		(14,418)
Contributions made		8,093
Increase in net pension obligation		(6,325)
Net pension obligation beginning of year		(12,898)
Net pension obligation end of year	$	(19,223)

The net pension obligation of $(19,223) is reflected as a long-term liability within governmental activities in the government-wide financial statements.

(dollars in thousands)

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	$ 14,418	56 %	$ (19,223)
2005	11,485	35	(12,898)
2004	9,576	43	(5,460)

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

Date of actuarial valuation	October 1, 2005
Actuarial cost method	Aggregate cost method (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Cost-of-living adjustments	3.00%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

4) Lawsuit

The Police System has filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police System for the City's 2004, 2005 and 2006 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court. The fiscal year 2005 and 2006 suits are pending the outcome of the fiscal year 2004 suit. The City has determined that it is probable that it will be required to remit these contributions. However, no additional liability has been recorded as the net pension obligation already recorded reflects the City's liability to the Police System plan at June 30, 2006. A similar lawsuit has been filed against the City by the Police System relating to fiscal year 2007 contributions.

c. *Employees' Retirement System of the City of St. Louis*

1) System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees' Retirement System upon employment with the exception of employees hired after attaining age 60.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 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 established a 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 entry into DROP. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

2) Funding Policy

Employer contribution rates are established annually by the board of trustees based on an actuarial study. Deductions from plan net assets are financed from plan additions. The board of trustees established the required employer contributions at a rate of 13.19% effective July 1, 2005 and 13.53% of active member payroll effective July 2004. The City contributed 6% of active member payroll effective July 2003 through the present.

Employees who became members of the Employees' System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees' System equal to 3% of their compensation until the employee's compensation equals the maximum 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 for the remainder of the calendar year. These voluntary contributions vest immediately.

(dollars in thousands)

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees' System for the year ended June 30, 2006, are as follows:

Annual required contribution	$	(29,243)
Interest on net pension obligation		(3,788)
Adjustment to annual required contribution		4,207
Annual pension cost		(28,824)
Contributions made		15,148
Increase in net pension obligation		(13,676)
Net pension obligation, beginning of year		(47,358)
Net pension obligation, end of year	$	(61,034)

The net pension obligation of $(61,034) is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	$	(43,488)
Business-type activities		(11,604)
Component unit—SLPD		(5,942)
	$	(61,034)

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

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed			Net Pension Obligation
2006	$	28,824	53	%	$	(61,034)
2005		30,665	42			(47,358)
2004		31,837	41			(29,682)

(dollars in thousands)

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

Date of actuarial valuation	October 1, 2005
Actuarial cost method	Projected unit credit
Amortization method and remaining period	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2005
Actuarial value of assets	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Initial unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized at the market value as of October 1, 2005.
Investment rate of return	8.00%
Projected salary increases	3.825% to 7.255%
Projected postretirement benefit increases	5.00% per year, maximum cumulative increase of 25%.

d. *Component Unit—SLDC*

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2006 contributions of $267, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2006, SLDC's current covered payroll was $2,971 and total payroll amounted to $3,129. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5 ½ % of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

11. COMPONENT UNIT—SLPD 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 1,208 retirees, while 1,297 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 12.6 cents for every $1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was $3,881 (in dollars) per retiree for healthcare and $10 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2006.

(dollars in thousands)

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2006:

		Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental activities:						
General obligation bonds payable	$	48,465	—	(3,245)	45,220	3,400
Section 108 Loan Guarantee Assistance Programs		68,220	—	(4,550)	63,670	4,850
Federal Financing Bank advances		765	—	(40)	725	45
Tax increment financing bonds and notes payable		41,678	30,043	(1,935)	69,786	2,997
Master note purchase agreement		121	—	(40)	81	
Loan agreement with Missouri Department of Natural Resources		1,473	782	(338)	1,917	459
Loan agreement with Metro		1,000	—	—	1,000	1,000
Capital lease—rolling stock		5,970	1,990	(754)	7,206	1,877
Capital leases—Obligations with component units		51,015	—	(420)	50,595	440
Leasehold revenue improvement and refunding bonds		340,899	15,485	(32,915)	323,469	20,620
Joint venture financing agreement		68,376	—	(1,053)	67,323	3,261
Unamortized discounts, premiums, and deferred amounts on refunding		(432)	(556)	2	(986)	—
Net pension obligation		47,231	15,480	—	62,711	—
Accrued vacation, compensatory, and sick time benefits		27,339	13,771	(15,267)	25,843	16,746
Landfill closure		243	—	(15)	228	228
Claims and judgments payable		17,404	14,161	(14,546)	17,019	9,561
Governmental activities long-term liabilities	$	719,767	91,156	(75,116)	735,807	65,484

(dollars in thousands)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation, compensatory and sick leave benefits, net pension obligations, and landfill closure costs are generally liquidated by the general fund.

		Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Business-type activities:						
Airport:						
Revenue bonds payable	$	894,735	263,695	(297,345)	861,085	13,960
Net pension obligation		4,650	1,594	—	6,244	—
Other		2,004	—	(354)	1,650	—
Accrued vacation, compensatory, and sick time benefits		5,065	3,214	(3,106)	5,173	5,173
Unamortized discounts, premiums, and deferred amounts on refunding		(261)	15,710	320	15,769	—
Total Airport		906,193	284,213	(300,485)	889,921	19,133
Water Division:						
Revenue bonds payable		34,320	—	(2,500)	31,820	2,645
Customer deposits		1,618	286	—	1,904	—
Net pension obligation		3,079	991	—	4,070	—
Other		396	—	(53)	343	—
Accrued vacation, compensatory, and sick time benefits		3,429	1,251	(1,485)	3,195	3,195
Unamortized discounts, premiums, and deferred amounts on refunding		(1,378)	—	261	(1,117)	—
Total Water Division		41,464	2,528	(3,777)	40,215	5,840
Parking Division:						
Revenue bonds payable		66,264	—	(1,727)	64,537	1,582
Net pension obligation		934	356	—	1,290	—
Accrued vacation, compensatory, and sick time benefits		161	362	(328)	195	195
Unamortized discounts, premiums, and deferred amounts on refunding		(2,528)	—	152	(2,376)	—
Total Parking Division		64,831	718	(1,903)	63,646	1,777
Business-type activities long-term liabilities	$	1,012,488	287,459	(306,165)	993,782	26,750

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

(dollars in thousands)

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.

On June 15, 2005, the City issued $37,555 in General Obligation Refunding Bonds, Series 2005, with an average interest rate of 4.48% to refund $37,710 in outstanding Series 1999 General Obligation Bonds with an average interest rate of 5.09%. The net proceeds of $39,621 (after the addition of a $2,645 premium and less a payment of $550 in issuance costs and a $29 discount), along with $642 of City funds, were deposited with the Escrow Agent to be applied on June 16, 2005 to the redemption of the Series 1999 bonds. After the refunding transaction, $10,215 in current interest Series 1999 bonds and $695 in capital appreciation Series 1999 bonds remained outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,911. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through year 2019 using the straight-line method, which approximates the effective interest method.

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	3,400	2,020	5,420
2008		3,570	1,856	5,426
2009		695	4,640	5,335
2010		3,085	1,680	4,765
2011		3,195	1,579	4,774
2012 – 2016		18,125	5,803	23,928
2017 – 2019		13,150	1,264	14,414
	$	45,220	18,842	64,062

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

(dollars in thousands)

During 2001, the City issued a note in the amount of $50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received $5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The $50,000 note is intended to spur redevelopment in the downtown area. The $50,000 note is a 20-year note at a variable rate of interest. The $5,000 received during 2001 was an advance funding draw note related to the $20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining $15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the $10,000 funding for neighborhood projects. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

The five-year, $10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements, and public improvements. Final payment is due during fiscal 2007.

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

		Principal	Interest	Total
Year ending June 30:				
2007	$	4,850	3,756	8,606
2008		2,740	3,557	6,297
2009		2,920	3,402	6,322
2010		3,110	3,234	6,344
2011		3,300	3,051	6,351
2012 – 2016		19,840	11,956	31,796
2017 – 2021		26,910	4,623	31,533
	$	63,670	33,579	97,249

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of $1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

(dollars in thousands)

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	45	48	93
2008		50	45	95
2009		50	42	92
2010		55	38	93
2011		60	35	95
2012 – 2016		375	101	476
2017		90	3	93
	$	725	312	1,037

e. Tax Increment Financing Bond and Notes Payable

In 1991, the City issued $15,000 in tax increment financing (TIF) bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any moneys legally available in the City's general fund. During 2005, $620 of payments in lieu of taxes and $679 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

Additionally, from time to time, the City issues tax increment financing bonds and notes payable to developers in conjunction with various redevelopment projects throughout the City. These are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City moneys are pledged to repay these bonds and notes and, should these financing sources be insufficient to repay the bonds and notes prior to their stated maturity dates, the City's obligation under the bonds and notes will cease. As of June 30, 2006, the City had $69,786 in TIF bonds and notes payable outstanding, at interest rates ranging from 5.75% to 9.5%, payable in various installments through 2026. The City issued $30,043 in TIF bonds and notes payable during fiscal year 2006.

(dollars in thousands)

Principal and interest requirements for the tax increment financing debt issues are as follows:

	Series 91 TIF Bonds		TIF Bonds and Notes	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2007	$ 1,160	647	1,837	4,555
2008	1,275	525	1,970	4,422
2009	1,405	391	2,112	4,279
2010	1,545	244	2,266	4,125
2011	1,665	83	2,418	3,961
2012 – 2016	—	—	13,329	17,000
2017 – 2021	—	—	16,725	11,851
2022 – 2026	—	—	19,949	5,045
2027 – 2028	—	—	2,130	264
	$ 7,050	1,890	62,736	55,502

f. Master Note Purchase Agreement

In February 2000, the SLMFC, the City, and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement (Series 2000 Note) to provide a low-interest, second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of $250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowners as payment for the Fannie Mae $1,250 loan. The SLMFC obligation is limited to the moneys in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowners.

In November 2001, the SLMFC, the City, and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of $460 from SLMFC. The amendment required the City to provide an additional deposit of $130 into a Series 2001 Note reserve account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note, along with a portion of the Series 2000 Note reserve account, was used to prepay a portion of the Series 2000 Note in the amount of $650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. As of June 30, 2006, the balance of the note outstanding is $81.

g. Loan Agreement with Missouri Department of Natural Resources (DNR)

In July 2001, the City agreed to enter into a loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $2,000 at an annual interest rate of

(dollars in thousands)

4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. During fiscal year 2004, the City made draws of $1,953 against the loan agreement. The purpose of this funding is to convert signal lights to LED fixtures resulting in a projected savings of $395 per year in electricity costs.

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR.

In December 2005, the City entered into another agreement with the Missouri DNR (pursuant to the Energy Efficiency Leverage Loan Program) for the amount of $782 of which $9 was loan origination fee and the remaining $773 was the actual proceeds. The proceeds will be utilized for the purchase and installation of signal and walk lights throughout various locations in the City. The payments are due in semi-annual installments from 2007 to 2013 with an annual interest rate of 2.85%.

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

		Principal	Interest	Total
Year ending June 30:				
2007	$	459	68	527
2008		481	47	528
2009		499	28	527
2010		158	13	171
2011		125	8	133
2012 – 2013		195	6	201
	$	1,917	170	2,087

h. Loan Agreement Metro

In July 2004, the City entered into an agreement with Bi-State Development Agency of Missouri-Illinois Metropolitan District doing business as Metro. The agreement provided for Metro to advance the City $1,000, interest free, for the replacement of the Landowne Bridge over River Des Peres. The City agreed to repay Metro on December 31, 2006 by appropriating funds in fiscal years 2005 and 2006.

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

		Principal	Interest	Total
Year ending June 30:				
2007	$	1,000	—	1,000
	$	1,000	—	1,000

(dollars in thousands)

i. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Due to other governmental agencies	$ 9,093	821	1,128	8,786	1,448
Notes payable	7,081	19	5,027	2,073	72
Other liabilities	2,452	2,706	1,415	3,743	1,569
Revenue bonds	13,060		285	12,775	310
	$ 31,686	3,546	7,855	27,377	3,399

Maturities on notes payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2007	$ 73	3	76
2008	—	—	—
2009	—	—	—
2010	2,000	—	2,000
	$ 2,073	3	2,076

Revenue bonds outstanding at June 30, 2006 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of $2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%

The Series 1999B bonds with an original issue amount of $8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East Parking Garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%.

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

(dollars in thousands)

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

	Series 1999A		Series 1999B		Series 1999C	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Year ending June 30:						
2007	$ 310	115	—	569	—	214
2008	335	86	—	569	—	214
2009	365	55	—	569	—	214
2010	425	19	220	562	—	214
2011	—	—	430	541	—	214
2012 – 2016	—	—	2,580	2,228	—	1,072
2017 – 2021	—	—	5,070	969	—	1,072
2022 – 2025	—	—	—	—	3,040	478
	$ 1,435	275	8,300	6,007	3,040	3,692

j. Component Unit— SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2006:

	Balance June 30, 2005	**Additions**	**Reductions**	**Balance June 30, 2006**	**Due Within One Year**
Accrued banked overtime, vacation, and sick time leave	$ 27,725	7,224	6,912	28,037	5,875
Capital lease obligation	4,342	109	1,262	3,189	1,280
Workers' compensation	45,968	—	5,182	40,786	4,900
Net pension obligation	4,362	1,580	—	5,942	—
	$ 82,397	8,913	13,356	77,954	12,055

(dollars in thousands)

Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (MEDB). In June 1994, the MEDB issued $13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). In February 2003, the Industrial Development Authority of the St. Louis Development Corporation (IDA) issued $6,665 in Series 2003 Leasehold Refunding Revenue Bonds (Series 2003 Bonds). Proceeds from the Series 2003 bonds were used to defease the previously issued Series 1994 Bonds.

The IDA acquired the police patrol buildings from the MEDB and leased them to SLPD in a lease purchase agreement dated February 1, 2003. Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. The Series 2003 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below:

		Principal	Interest	Total
Year ending June 30:				
2007	$	1,255	55	1,310
2008		1,945	21	1,966
		3,200	76	3,276
Unamortized premium		31		
Unamortized deferred amount on refunding		(93)		
	$	3,138		

Automotive Equipment

In September 2005, the SLPD entered into a lease-purchase agreement for the purchase of automotive equipment. Upon conclusion of the lease, the SLPD will attain title to the equipment. The SLPD's future lease payments under this lease-purchase are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	25	3	28
2008		26	1	27
	$	51	4	55

14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of $9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of $7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%.

In June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by $4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

On July 7, 2004, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by $851 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2005 through 2007 with an annual interest rate of 3.19%.

In September 2005, the City amended its capital lease agreement with Chase Equipment Leasing Inc. resulting in new debt of $942. This capital lease agreement is included as part of the capital lease agreement entered into in March of 2000. The proceeds of the lease are to be used to purchase computer equipment. The lease agreement payments are due in semi annual installments from 2006 through 2009 with an annual interest rate of 3.9%.

In February 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of $1,048. The proceeds of the lease are to be used to purchase equipment for a new 911 emergency system. The lease agreement payments are due in semi annual installments from 2007 to 2011 with an annual interest rate of 4.88%.

(dollars in thousands)

Principal payments of $754 were made on these lease agreements in fiscal year 2006. The following is a schedule of future minimum lease payments as of June 30, 2006.

Year ending June 30:		
2007	$	2,176
2008		1,360
2009		1,042
2010		750
2011		627
2012 – 2016		1,939
2017 – 2018		776
Total future minimum lease payments		8,670
Amount representing interest		(1,464)
Present value of net minimum lease payments	$	7,206

Capital assets (equipment) of $12,648 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Lease—Kiel Site Project—Obligation with Component Unit

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of $13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund.

(dollars in thousands)

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, 2006.

Year ending June 30:		
2007	$	970
2008		973
2009		970
2010		944
2011		996
2012 – 2016		4,834
2017 – 2021		5,048
2022		980
Total future minimum lease payments		15,715
Amount representing interest		(5,120)
Present value of net minimum lease payments	$	10,595

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

c. Capital Lease—Convention Center Hotel—Obligation with Component Unit

The City is subject to a Third Supplemental and Restated Lease Purchase Agreement (the Agreement) between the City, SLMFC and SLDC, whereby SLMFC leases the Convention Center to the City. In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of $40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds. The City's obligation to make these lease payments to SLDC is subordinate to the City's obligation to meet the debt service requirements of the Series 1993A and Series 2003 Convention Center Leasehold Revenue Bonds (see note 15).

(dollars in thousands)

The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the capital projects fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the capital lease as of June 30, 2006.

Year ending June 30:		
2007	$	—
2008		—
2009		—
2010		—
2011		3,525
2012 – 2016		35,575
2017 – 2020		61,180
Total future minimum lease payments		100,280
Amount representing interest		(60,280)
Present value of net minimum lease payments	$	40,000

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

15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS

a. Civil Courts

On June 1, 2003, the SLMFC issued $23,400 in Leasehold Revenue Refunding Bonds (Series 2003A) with an average interest rate of 4.02% to advance refund $22,480 of Series 1994 Bonds with an average interest rate of 6.08%. The net proceeds of $24,434 (after the addition of a $1,811 premium less a payment of $777 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Series 1994 Bonds maturing on August 1, 2003 and 2004, and to the redemption on August 1, 2004 of the remaining Series 1994 Bonds.

b. Convention Center

On July 15, 1993, SLMFC issued $144,362 in Leasehold Revenue Refunding Bonds (Series 1993A Bonds). The Series 1993A Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993A Bonds consisted of current interest bonds ($51,330 serial bonds and $90,465 term bonds) and compound interest bonds with an initial offering price of $2,567 and a final maturity amount on July 15, 2014 of $9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. Lease payments calculated to meet the principal, interest, and other costs related to the Series 1993A Bonds are paid for in the City's general fund.

On April 15, 2003, the SLMFC issued $118,575 in Leasehold Revenue Refunding Bonds (Convention Center Project) with an average interest rate of 4.67% to advance refund the current interest bonds portion of the Series 1993A Bonds with an average interest rate of 5.87%. The net proceeds of $125,373 (after the addition of a $9,439 premium less a payment of $2,641 in issuance cost) were deposited with the escrow agent under the escrow deposit agreement, and were applied on July 15, 2003 to the redemption of the $119,960 of Series 1993A current interest leasehold revenue bonds. Thus, as of June 30, 2006, only the compound interest bonds of the Series 1993A Bonds remain outstanding.

On May 26, 2005, the SLMFC issued Series 2005A and B Compound Interest Leasehold Revenue Bonds in the amount of $44,998 for the purpose of providing funding for the construction of the Convention Center Hotel, in addition to making debt service payments for other ongoing projects, within the vicinity of the Convention Center. Principal payments plus compounded interest (4.66%) will be made July 15, 2021 through 2030. The final maturity amounts on bonds are $54,050 and $62,430 for the Series 2005A and 2005B, respectively.

c. Justice Center

In August 1996, the SLMFC issued $75,705 in Leasehold Revenue Improvement Bonds, Series 1996A (Series 1996A Bonds) and $34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996B (Series 1996B Bonds) (collectively, the 1996 Justice Center Bonds). The Series 1996A Bonds include serial bonds in the principal amount of $20,155 and term bonds in the principal amount of $55,550. The Series 1996B Bonds include serial bonds in the principal amount of $23,500 and term bonds in the principal amount of $10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the 1996 Justice Center Bonds, which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC Financial Group, Inc. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996A Bonds were used to construct the City Justice Center, which replaced the former municipal jail that has been demolished and will house a total of 732 prisoners. The facility is a major addition to the City's justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued $22,025 in City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds, bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds, bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City on February 15, 2010, and, at any time thereafter, as a whole at any time, in part at any time, and if, in part, in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101%, plus accrued interest thereon, to the redemption date.

On September 1, 2001, the SLMFC issued $62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund $58,115 of Series 1996A Bonds with an average interest rate of 5.93%. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements.

On September 1, 2005, the SLMFC issued $15,485 in Justice Center Leasehold Revenue Refunding Bonds, Series 2005 with an average interest rate of 4.56% to advance refund $14,360 in Series 2000A Leasehold Revenue Bonds with an average interest rate of 6.09%. The net proceeds of $15,421 were used to purchase investments that mature at such times in amounts that will be sufficient to pay the principal of, redemption premium, if any, and accrued interest on the Series 2000A refunded bonds.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,061. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through 2020 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 2000A bonds to reduce its total debt service payments over the next 10 years by approximately $528 and to obtain an economic gain of $518.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund.

d. Forest Park

On December 1, 2004, the SLMFC issued $16,400 in Leasehold Revenue Refunding Bonds (Series 2004) with an average interest rate of 4.23% to advance refund $16,120 of outstanding Series 1997 Forest Park Leasehold Revenue Improvement Bonds with an average interest rate of 5.45%. The net proceeds of $16,349 (after the addition of a $428 premium and less a payment of $479 in issuance costs) plus $717 in City funds were deposited with the escrow agent under the escrow deposit agreement, and, together with interest earnings thereon, be applied to the payment of principal, premium, if any, and interest on the Series 1997 Bonds to their stated maturity or their February 15, 2006 redemption date, as the case may be. As a result, the Series 1997 bonds are considered defeased, and the liability for those bonds have been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $938. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through the year 2022 using the straight-line method, which approximates the effective interest method.

e. Firemen's System

On April 1, 1998, the SLMFC issued $28,695 in Firemen's Retirement Systems Lease Revenue Bonds, Series 1998 (Series 1998 Bonds). Interest is paid semiannually on the bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation, to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the general fund.

The proceeds derived from the sale of the Series 1998 Bonds were used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

f. Carnahan Courthouse

On April 1, 2002, the SLMFC issued $21,750 in Leasehold Revenue Bonds, Series 2002A (Series 2002A Bonds). 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 15th 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 Bonds trustee. The City's payments are further insured by the Financial Guaranty Insurance Company (FGIC). Interest rates on the bonds range from 4.81% to 5.40%.

(dollars in thousands)

g. Principal and Interest Requirements

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

	Civil Courts		Firemen's System	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2007	$ 1,985	769	$ 2,325	784
2008	2,075	677	2,475	629
2009	2,155	589	2,635	465
2010	2,255	493	2,805	288
2011	2,360	381	2,990	98
2012 – 2015	7,730	466	—	—
	$ 18,560	3,375	$ 13,230	2,264

	Justice Center		Forest Park	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2007	$ 5,980	5,144	$ 740	632
2008	6,285	4,836	760	610
2009	6,620	4,507	785	587
2010	6,925	4,202	805	563
2011	7,250	3,875	835	533
2012 – 2016	45,310	12,803	4,665	2,187
2017 – 2021	25,555	2,190	5,780	1,069
2022	—	—	1,315	56
	$ 103,925	37,557	$ 15,685	6,237

(dollars in thousands)

	Carnahan Courthouse		Convention Center	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2007	$ —	1,139	$ 9,590	4,764
2008	—	1,139	13,445	4,277
2009	—	1,139	11,675	3,688
2010	—	1,139	12,915	3,094
2011	—	1,139	14,035	2,428
2012 – 2016	3,320	5,509	43,662	11,012
2017 – 2021	6,885	4,045	3,459	3,815
2022 – 2026	8,825	2,099	25,177	35,488
2027 – 2030	2,710	140	16,371	32,179
	$ 21,740	17,488	$ 150,329	100,745

16. JOINT VENTURE FINANCING AGREEMENT

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

In April 1990, the Authority was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

b. Series C 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).

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 was used for various project improvements.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the

(dollars in thousands)

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 o t be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of $2,500 and preservation payments of $500 regardless of the principal and interest payments due.

At June 30, 2006, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

	Principal	Interest	Preservation Payments	Total
Year ending June 30:				
2007	$ 2,200	2,739	1,061	6,000
2008	2,310	2,630	1,060	6,000
2009	2,420	2,513	1,067	6,000
2010	2,540	2,387	1,073	6,000
2011	2,670	2,252	1,078	6,000
2012 – 2016	15,650	8,893	5,457	30,000
2017 – 2021	20,300	4,130	5,570	30,000
2022	4,725	133	(1,858)	3,000
	$ 52,815	25,677	14,508	93,000

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

(dollars in thousands)

17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2006 are summarized as follows:

Bond Series 1996, interest rates ranging from 5.25% to 5.35%, payable in varying amounts through 2008	$	8,340
Bond Series 1997, interest rates ranging from 5.25% to 6%, payable in varying amounts through 2028		149,435
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016		59,090
Bond Series 2001A, interest rates ranging from 4.13% to 5.63%, payable in varying amounts through 2027		209,205
Bond Series 2002, Series A, B, and C, interest rates ranging from 2.50% to 5.50%, payable in varying amounts through 2033		100,980
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019		70,340
Bond Series 2005, interest rate ranging from 4.00% to 5.50%, payable in varying amounts through 2032		263,695
		861,085
Less:		
Current maturities		(13,960)
Unamortized discounts and premiums		41,943
Deferred amounts on refunding		(26,174)
	$	862,894

On July 7, 2005, the Airport issued $263,695 in Series 2005 Revenue Refunding Bonds with an average interest rate of 5.47 percent to advance refund $37,575 of outstanding 1997A Series Revenue Refunding bonds, $225,980 of outstanding 2001A Series Revenue Refunding bonds, and $10,400 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.31 percent. The net proceeds of $293,331 (after the addition of a net issue premium of $39,522 and payment of $9,886 in underwriting fees, insurance and other issuance costs) plus an additional $6,095 of 1997A and 2001A Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2006, $37,575 of 1997A Series Revenue Refunding bonds, $225,980 of 2001A Series Revenue Refunding bonds, and $10,400 of 2002A Series Revenue Refunding bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $23,812. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 25 years by $16,536 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3,432.

(dollars in thousands)

The deferred amounts on refunding of $26,174 at June 30, 2006, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1997A, Bond Series 2001A, Bond Series 2002A, Bond Series 2003A, and Bond Series 2003B and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

Management of the Airport is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2006.

As of June 30, 2006, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	13,960	44,723	58,683
2008		25,090	43,810	68,900
2009		21,725	42,667	64,392
2010		21,670	41,530	63,200
2011		24,015	40,317	64,332
2012 – 2016		172,030	177,690	349,720
2017 – 2021		181,790	128,534	310,324
2022 – 2026		178,415	82,033	260,448
2027 – 2031		178,875	35,000	213,875
2032 – 2033		43,515	1,493	45,008
	$	861,085	637,797	1,498,882

In the current and prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2006, $332,640 of outstanding revenue bonds are considered defeased.

(dollars in thousands)

b. Water Division

Water revenue bonds outstanding at June 30, 2006 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, 5.85% to 5.95%,		
Payable in varying amounts through July 1, 2006	$	2,645
Series 1998 Water Revenue Bonds, 4.1% to 4.75%		
Payable in varying amounts through July 1, 2014		29,175
		31,820
Less:		
Current maturities		(2,645)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds		(1,046)
Unamortized discounts		(71)
	$	28,058

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

		Principal	Interest	Total
Year ending June 30:				
2007	$	2,645	1,286	3,931
2008		2,850	1,169	4,019
2009		3,300	1,032	4,332
2010		3,440	887	4,327
2011		3,585	732	4,317
2012-2015		16,000	1,162	17,162
	$	31,820	6,268	38,088

(dollars in thousands)

c. Parking Division

Revenue bonds outstanding at June 30, 2006 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 4.2% to 5.375%, payable in varying amounts through 2021	$	22,085
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021		9,805
Series 2002 Revenue Bonds, interest rates ranging from 5.50% to 7.25% payable in varying amounts through 2028		20,170
SLPCFC Series 2003A tax exempt revenue bonds interest rates variable not to exceed 12% payable in varying amounts through 2028		5,745
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceed 5% payable in varying amounts through 2038		6,732
		64,537
Less:		
Current maturities		(1,582)
Unamortized discount and deferred loss on refunding		(2,376)
	$	60,579

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

		Principal	Interest	Total
Year ending June 30:				
2007	$	1,582	3,503	5,085
2008		1,635	3,412	5,047
2009		2,051	3,305	5,356
2010		2,179	3,182	5,361
2011		2,318	3,057	5,375
2012 – 2016		13,921	13,178	27,099
2017 – 2021		18,192	8,870	27,062
2022 – 2026		14,792	3,761	18,553
2027 – 2031		4,914	1,306	6,220
2032 – 2036		2,113	529	2,642
2037 – 2038		840	62	902
	$	64,537	44,165	108,702

(dollars in thousands)

18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Issued	Redeemed	Balance June 30, 2006
Tax revenue anticipation notes	$ —	45,000	(45,000)	—

b. Airport

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed $125,000 outstanding at any one time. As of June 30, 2006, commercial paper of $1,000 was outstanding. This commercial paper bore interest at rate of 3.64% and was due on July 5, 2006.

Following is a summary of the changes in commercial paper payable for the Airport for the year ended June 30, 2006:

	Balance June 30, 2005	Issued	Redeemed	Balance June 30, 2006
Commerical paper payable	$ 1,000	4,000	(4,000)	1,000

19. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport, Water Division, and Parking Division have entered into 11 forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport, Water Division, and Parking Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates.

(dollars in thousands)

b. Terms

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

	Airport I	Airport II	Airport III	Airport IV	Airport V	Airport VI
Date of origin	June 1995	September 1997	October 2000	December 2003, as amended July 2005	December 2003	December 2003, as amended July 2005
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997 A, Series 2005 debt service reserve	Series 1997B debt service	Series 2001A, Series 2005 debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.34%	5.35%	5.432%
Lump sum payment received at beginning of agreement	$7,209	N/A	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	2027	2008	2027	2027	2031
Notional amount (representing balance in applicable accounts)	$5,387	$14,970	$7,034	$6,875	$20,494	$13,333
Obligation (representing the unamortized portion of lump sum payment) recorded on the statement of fund net assets at June 30, 2005	$1,032	N/A	N/A	N/A	N/A	N/A

(dollars in thousands)

The terms of Airport forward purchase agreements VII - IX, the Water Division forward purchase agreement, and the Parking Division forward purchase agreement are as follows:

	Airport VII	Airport VIII	Airport IX	Water Division	Parking Division
Date of origin	December 2003, as amended July 2005	December 2003	December 2003	February 1996	August 1997
Underlying bond account(s)	Series 2002A debt service	Series 2002B debt service	Series 2003A debt service reserve	Series 1994 and Series 1998 debt service	Series 1996 debt service reserve and parking trust fund
Guaranteed interest rate	5.473%	5.332%	5.579%	6.20%	5.51%
Lump sum payment received at beginning of agreement	N/A	N/A	N/A	$941	N/A
Date of termination (upon maturity of bond series)	2032	2032	2018	2014	2021
Notional amount (representing balance in applicable accounts)	$2,831	$1,389	$1,698	$3,559	$7,742
Obligation (representing the unamortized portion of the initial lump sum payment) recorded on the statement of fund net assets	N/A	N/A	N/A	$343	N/A

In July 2005, forward purchase agreements IV, VI, VII were amended to replace Bond Series 1997A, Bond Series 2001A, and Bond Series 2002A, respectively, with Bond Series 2005 bonds defeased with the issuance of the Series 2005 Bonds. No payments were made in consideration of this amendment.

For the Airport forward purchase agreement I and the Water Division forward purchase agreement, in exchange for the lump-sum payment received, the City has contracted to buy qualified eligible securities from financial institutions every month until the bonds mature, are called, or are refinanced.

(dollars in thousands)

These institutions receive the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the City and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense.

For Airport forward purchase agreements II through IX and the Parking Division forward purchase agreement, the City has contracted to buy qualified eligible securities from a financial institution on a semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the City is required to refund the differential to the financial institution, if a lesser rate is earned, the financial institution absorbs the loss.

c. Fair Value

As disclosed above, the City's obligations associated with Airport forward purchase agreement I and the Water Division forward purchase agreement are recorded on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump-sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2006, these fair values are as follows:

Agreement		Fair Value
Airport II	$	2,963
Airport III		267
Airport IV		57
Airport V		240
Airport VI		1,050
Airport VII		182
Airport VIII		45
Airport IX		208
Parking Division		348

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2006 for a U.S. Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed, and multiplied by the securities required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2006 for a U.S. Treasury obligation with a comparable length of time remaining until maturity.

d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport, the Water Division, and the Parking Division to the financial institutions as of June 30, 2006. Should the financial institutions fail to perform according to the terms of the agreement, the Airport, the Water

(dollars in thousands)

Division and the Parking Division face a maximum possible loss equivalent to the agreements' fair value.

e. Interest Rate Risk

The forward purchase agreement exposes the Airport, the Water Division, and the Parking Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, the Water Division, or the Parking Division, would realize this increase in investment earnings.

f. Termination Risk

Should the Airport, the Water Division, or the Parking Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination.

20. OPERATING LEASES

a. At June 30, 2006, the City was committed under miscellaneous operating leases for office space and equipment. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:		
2007	$	995
2008		785
2009		594
2010		466
2011		433
2012 – 2016		2,372
2017 – 2021		538
2022 – 2026		250
2027 – 2028		88
	$	6,521

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

Effective January 1, 2006, the Airport entered into new long-term use and lease agreements with signatory air carriers that expires on June 30, 2011. The previous long-term use and lease agreements with signatory air carriers expired on December 31, 2005.

(dollars in thousands)

Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue—airfield.

- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue—terminal and concourses, hangars and other buildings, or cargo buildings, respectively.

- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2006, revenues from signatory air carriers accounted for 60% of total Airport operating revenues.

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

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2006:

	Signatory	Non-signatory	Total
Airfield	$ 41,721	8,068	49,789
Terminal and concourses	21,498	729	22,227
Hangars and other buildings	1,052	30	1,082
Cargo buildings	1,339	26	1,365
	$ 65,610	8,853	74,463

(dollars in thousands)

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:		
2007	$	17,503
2008		17,225
2009		13,032
2010		7,950
2011		6,731
2012 – 2016		12,644
2017 – 2021		4,719
2022 – 2026		3,576
2027 – 2031		3,562
2032 – 2036		2,493
Total minimum future rentals	$	89,435

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to $24,527 for the year ended June 30, 2006.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2010. Expenses for operating leases and service agreements were $993 for the year ended June 30, 2006. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:		
2007	$	141
2008		111
2009		57
2010		30
Total minimum future rentals	$	339

(dollars in thousands)

c. Component Unit—SLDC

In December 1996, SLDC signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of $38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to $47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017.

Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:		
2007	$	255
2008		255
2009		255
2010		255
2011		255
2012 – 2016		1,475
2017		200
	$	2,950

Rent expenditures, net rents received of $442, were $309 during the year ended June 30, 2006.

Additionally, at June 30, 2006, SLDC was committed for approximately seven years under an original 25-year operating lease with the City, which requires annual rental payments of $1 (in dollars) for certain property. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

(dollars in thousands)

21. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2006 are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Special revenue—grants fund	$ 8,080
	Capital projects fund	5,185
	Enterprise:	
	Airport	1,660
	Water Division	802
	Parking Division	1,238
	Internal service funds	2,299
		19,264
Other governmental nonmajor funds	General fund	266
	Capital projects fund	56
	Other governmental nonmajor funds	699
		1,021
Internal service funds	General fund	249
	Enterprise:	
	Airport	1,576
	Water Division	1,923
	Parking Division	190
		3,938
		$ 24,223

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, 2007.

Advances to/from other funds as of June 30, 2006 are as follows:

General fund (Advance to internal service fund)	$12,700
Internal Service fund (Advance from General fund)	12,700

(dollars in thousands)

22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006 consisted of the following:

		Transfer To				
		General fund	**Capital projects fund**	**Other Govern-mental Funds**	**Parking Division**	**Total**
	General fund	$ —	1,495	1,459	—	2,954
	Other Governmental Funds	10,043	8,345	74	1,092	19,554
Transfer From	Airport	5,407	—	—	—	5,407
	Water Division	2,561	—	—	—	2,561
	Parking Division	525	—	—	—	525
		$ 18,536	9,840	1,533	1,092	31,001

Interfund transfers were used to: (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

23. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant moneys in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program moneys. Through June 30, 2006, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

b. Landfill Closure

Pursuant to the original agreement between the DNR and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of $4,174 with DNR as the beneficiary. DNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2006, no amounts had been drawn against the letter of credit by DNR. At June 30, 2006, $228 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs. Additionally, in January 2006 the City and DNR executed a revised agreement that will require the City to complete its landfill closure efforts by December 31, 2006 in order to avoid any further fines or penalties.

c. Commitments

At June 30, 2006, the City had outstanding commitments amounting to approximately $82,707, resulting primarily from service agreements.

Additionally, at June 30, 2006, the Airport had outstanding commitments amounting to approximately $54,200 resulting primarily from contracts for construction projects both related and unrelated to the W−1W expansion project.

d. American Airlines, Inc.

American Airlines, Inc. (American) represents the major air carrier providing air passenger service at the Airport. American provided 26% of the Airport's total operating revenues and 43% of total revenues from signatory air carriers for the fiscal year ended June 30, 2006. Airport accounts receivable at June 30, 2006 contained $1,906 relating to amounts owed to the Airport by American. This amount includes $958 of unbilled aviation revenues at June 30, 2006.

No assurance can be given as to the levels of aviation activity that 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 total revenues generated at the Airport. However, Airport management believes the risk of significant variance in Airport revenues is mitigated by the Airport use agreement, concession agreements, and other leases, which contain minimum annual revenue guarantees.

Use Agreement with American

In 1993, the City purchased from Trans World Airlines, Inc. (TWA) all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities, and improvements at the Airport, together with related personal property and leasehold interest in a hangar, office building, and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

Under the lease agreement, if during any month American has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that American would retain only the number of gates that represents an average of 3.33 daily flight departures per gate. Also, under the lease agreement, if American fails to make a payment of any rents, fees, or charges, the City may terminate all of American's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was $3,804 for the year ended June 30, 2006. The agreement expired on December 31, 2005.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the FAA for the W–1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed $2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including one additional 9,000 foot parallel runway to add capacity in all weather conditions, and renovation of the Airport's existing runway and taxiway system.

The construction 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 LOI Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 LOI Double Barrel Revenue Bonds and to provide additional financing for the project.

Lawsuits previously filed by the cities of St. Charles and Bridgeton, Missouri challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport.

Land acquisition activities relative to the expansion project are underway with approximately 1,903 parcels to be acquired. As of October 2, 2006, 1,903 offers have been extended; of these, 1,889 offers have been accepted; of these, 1,881 real estate transactions have been closed; of these, 1,854 properties have been vacated by the sellers and are in the possession of the Airport; and of these, 1,717 homes have been demolished.

Additionally, the Airport has entered into various construction contracts related to the expansion project.

f. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

g. Component Unit—SLDC

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

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

SLDC has entered into various cooperative agreements with the CDA as a subrecipient/administrator of the Community Development Block Grant Programs. The purpose of these grants and contracts is to provide support for economic development in the City.

SLDC has been awarded federal tax credits through the U.S. Department of Treasury's New Markets Tax Credit Program to support $52,000 in private investments in low-income areas. No funds have been disbursed related to these tax credits as of June 30, 2006.

h. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state, and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the contract and grant agreements and are subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2006.

24. RISK MANAGEMENT

a. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and prescription drug coverage. Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is $300 per person and $2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of $16,668 at June 30, 2006, relating to these matters is recorded in the self insurance internal service fund—PFPC . The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

The City was also self-insured for healthcare coverage for its employees and retirees through June 12, 2004 and June 30, 2004, respectively. The City was self-insured for healthcare coverage for employees of HSTRC and Tower Grove Park through June 30, 2004. Effective June 13, 2004 for employees of the City and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park, the City elected to purchase commercial insurance for its previously self-insured health insurance program. The City remains self-insured for the prescription drug coverage provided to employees and retirees. Additionally, the City is still self-insured for any healthcare claims that arise from incidents occurring prior to June 13, 2004 for employees and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park.

For the period the City was self-insured for healthcare coverage, it paid the cost of the lowest available coverage for all City employees. Employees were required to pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for coverage of a spouse and/or dependents. Retirees and employees of HSTRC and Tower Grove Park had to contribute a monthly amount to cover the cost of their healthcare if participating in the plan. During the self-insured period, all funding levels were actuarially determined at the start of the plan and reevaluated at the beginning of each fiscal year.

For healthcare coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of $351 at June 30, 2006 relating to such matters is recorded in the self-insurance internal service fund—health.

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2006 and, for the years ended June 30, 2006, 2005, and 2004, settlements did not exceed coverage.

(dollars in thousands)

Changes in the self-insurance claims liability for the years ended June 30, 2006 and 2005 are as follows:

		Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2006	$	17,404	14,161	(14,546)	17,019
2005		15,713	19,730	(18,039)	17,404

Additionally, there is a range of general liability claims outstanding, from $5,966 to $5,989, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimate able.

b. Component Unit—SLPD

SLPD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. A number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty.

During fiscal year 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, the SLPD is an agency of the state. As an agency of the state, the SLPD was covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions occurring prior to August 28, 2005. On August 28, 2005, Missouri legislations became effective modifying the coverage provided to the SLPD by the State of Missouri for general liability and various other claims and legal actions. State of Missouri Bill No. 420 provides that the State of Missouri is liable annually for funding general liability claims on an equal share basis per claim with the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, up to a maximum of $1,000. The SLPD is covered covered by PFPC for most self-insured risks, including general liability and various other claims and legal actions, exceeding the limitations set forth by the enacted legislation. Accounting for and funding of these self-insured risks is generally covered by the City.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2006, these liabilities amounted to $40,786 for workers' compensation. Of SLPD's total worker's compensation liability, $33,890 has been accrued for benefits to be paid for long-term medical care for two officers seriously injured in the line of duty. Benefit payments for these two cases amounted to approximately $1,224 for the year ended June 30, 2006.

(dollars in thousands)

Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2006 and 2005 are as follows:

	Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2006	$ 45,968	(388)	(4,794)	40,786
2005	39,211	11,456	(4,699)	45,968

The SLPD obtains periodic funding valuations from a third-party administrator who manages workers' compensation claims to maintain the appropriate level of estimated claims liability. The SLPD also purchases excess liability coverage for workers' compensation claims.

25. GRANT LOAN PROGRAMS

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low- and moderate-income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured, and accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if moneys have not been spent) in the year of receipt.

26. COMPONENT UNIT—SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements. The amount of tax-exempt bonds outstanding at June 30, 2006 could not be determined, however, the original issue amounts totaled approximately $2 billion (in dollars).

27. TRANSPORTATION DEVELOPMENT DISTRICT

In August 2003, the City and a hotel developer entered into an agreement for the creation of a transportation development district (TDD). The TDD is a separate political subdivision of the State. Its boundaries coincide with the property upon which the hotel developer is constructing a new 206-room hotel and 415-car garage. During 2005, the TDD issued $6,350 in TDD obligations to finance this construction. The TDD has the authority to levy a 1% sales tax within the district in order to repay this debt, which the City collects on behalf of the TDD and remits to the TDD. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax which will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements.

Additionally, the City has agreed to pledge 75% of the City tax revenues generated within the district to the TDD in exchange for the TDD's pledge to leave at least 200 of the spaces in the parking garage available for public use.

28. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2006, the City issued $36,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 29, 2007 and bear interest at a rate of 4.50% per year.

b. Issuance of the Convention and Sports Facility Refunding Bonds Series 2007

On October 6, 2006, the Regional Convention and Sports Complex Authority issued the Convention and Sports Facility Project Refunding Bonds Series C 2007 (sponsored by the City of St. Louis) in the amount of $49,585. The Series 2007 Bonds will be used to provide funds to refund the Series 1997 Refunding Bonds. The Series 2007 are due in installments through February 2021 and bear interest at a rate of 5.25%.

c. Issuance of Parking Revenue Bonds

On December 14, 2006, the Parking Division issued $57,900 in Parking Revenue Bonds consisting of Series 2006A tax-exempt bonds issued in the principal amount of $46,250 and Series 2006B taxable bonds issued in the principal amount of $11,650. The Series 2006 bonds are being issued for the purpose of providing funds, together with other available funds, for (a) paying cost of the Euclid/Buckingham Garage project; (b) refunding in advance of maturity $22,085 of Parking Refunding Bonds Series 1996, $5,840 of tax-exempt Parking Revenue Bonds, Series 1999A, $3,965 of taxable Parking Revenue Bonds, Series 1999B bonds, $17,865 of tax-exempt Subordinate Parking Revenue Bonds, Series 2002A and $2,305 of taxable Subordinate Parking Revenue Bonds, Series 2002B; (c) funding debt service reserves with respect to the Series 2006 Bonds; and (d) paying the bond insurance premium and other cost of issuance for the Series 2006 Bonds. The Series 2006 Bonds mature in installments from 2007 to 2031 and bear interest at rates varying between 3.75% and 5.14%.

d. Issuance of the Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A

On October 1, 2006, the SLMFC issued the Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A in the amount of $23,725. The proceeds of the Series 2006A Bonds will be used to refund all of the SLMFC's outstanding Carnahan Leasehold Revenue Bonds, Series 2002. The Series 2006A Bonds are due in installments through 2027 with rates ranging from 4.0% to 4.25%.

e. Tax Increment Revenue Notes

Subsequent to June 30, 2006, the City issued tax increment revenue notes totaling $12,289 with interest rates ranging from 5.50% to 8.50%.

f. Rolling Stock

On September 25, 2006, the City amended its capital lease agreement to increase the capital lease by $6,014 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in semi-annual installments from 2007 through 2012 with an annual interest rate of 4.05%.

g. Tax Increment Refunding Revenue Bonds

On October 25, 2006, the City issued tax increment refunding revenue bonds for the Southtown Redevelopment Project totaling $6,400. The bonds will be used to refund Tax Increment Financing Notes issued for the Southtown Redevelopment Projects. The bonds mature on May 1, 2026 and bear interest at 5.125%.

h. Tax-Exempt and Tax Subordinate Increment Revenue Note

The City issued tax-exempt Subordinate Tax Increment Revenue Notes, Series 2006 for the Southtown Redevelopment Project in an aggregate principal amount of $992 for the purpose of paying a portion of the redevelopment project costs in connection with the Southtown redevelopment plan. The tax-exempt notes have a rate of interest of 7.125% with a maturity date of July 23, 2026. The tax-exempt notes are being issued on parity with the City's $1,342 taxable Subordinate Tax Increment Financing Revenue Notes, which will also be utilized for redevelopment cost. The taxable notes have a rate of interest of 8.5% with a maturity date of July 23, 2026.

i. Airport Commercial Paper

On July 5, 2006, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due August 7, 2006, at an annual interest rate of 3.70% for the purpose of refinancing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. This amount was fully paid August 7, 2006.

On August 7, 2006, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due October 3, 2006, at an annual interest rate of 3.58% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. This amount was fully paid on October 3, 2006.

On October 3, 2006 the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due November 7, 2006, at an annual interest rate of 3.60% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. This amount was fully paid on November 7, 2006.

On November 7, 2006 the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due March 8, 2007, at an annual interest rate of 3.68% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

j. Issuance of General Obligation Bonds

On November 1, 2006, the City issued General Obligation Bonds totaling $13,000. The bonds are being issued for the purposes of providing funds to (1) replace, improve, and maintain the City's radio system used by the St. Louis Police Department, Fire Department, Emergency Medical Services, and other City departments, (2) reconstruct, repair and improve major streets, bridges and the City's flood wall where federal funding is available and local funding is required, and (3) pay the costs of issuance of the bonds. The bonds have interest rates ranging from 3.750% to 4.20% with a due date of February 15, 2026.

k. Airport Revenue Refunding Bonds

In December 2006, the City authorized the issuance of Airport Revenue Refunding Bonds, Series 2006 in the aggregate principal amount of $275,000, and Airport Revenue Refunding Bonds, Series 2007 in the aggregate principal amount of $125,000, each to effect the refunding of a portion of the City's outstanding Airport Revenue Refunding Bonds.

29. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*, establish accounting and financial reporting standards for postemployment benefits other than pensions. GASB Statement No. 43 establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and applies to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as in stand-alone financial reports. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. GASB Statement No. 43 will be effective for the City for the fiscal year ending June 30, 2007, and GASB Statement No. 45 will be effective for the City for the fiscal year ending June 30, 2008. Management of the City has not yet completed its assessment of the statements.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, establishes criteria that will be used to determine whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement also includes a provision that entities should not revalue assets that are transferred between the financial reporting entity components. GASB Statement No. 48 will be effective for the City for the fiscal year ending June 30, 2008. The City has not yet determined the effect that adoption of GASB Statement No. 48 may have on the financial statements.

APPENDIX C
DEFINITIONS OF WORDS AND TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Trust Indenture, the Base Lease, the Lease Purchase Agreement, the Leasehold Deed of Trust, and this Official Statement. Reference is hereby made to the Trust Indenture for complete definitions of all terms.

"*Act*" means the Missouri Nonprofit Corporation Act, as amended.

"*Additional Bonds*" means any additional Bonds, including refunding bonds, issued by the Corporation pursuant to Section 210 of the Indenture.

"*Additional Rentals*" means the payments payable by the City pursuant to Section 4.2 of the Lease.

"*Authorized Denominations*" means $5,000 or any integral multiple thereof.

"*Base Lease*" means the Base Lease between the City and the Corporation, dated as of July 1, 2007, as from time to time supplemented or amended in accordance with Section 7.3 thereof.

"*Base Lease Rent*" means the items referred to as such in Section 3.4 of the Base Lease.

"*Base Lease Term*" means the term of the Base Lease commencing as of the date of the delivery of the Base Lease and ending on the date specified in Section 3.1 of the Base Lease.

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

"*Bond,*" "*Bonds,*" or "*Series of Bonds*" means any bond or bonds, including the Series 2007 Bonds and any Additional Bonds, authenticated and delivered under and pursuant to the Indenture.

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

"*Bond Insurance Policy*" means the Bond Insurance Policy issued by the Credit Provider insuring the payment when due of the principal of and interest on the Series 2007 Bonds as provided therein.

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

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

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

"*Business Day*" means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the State are, or a day on which the Depository is, authorized by law to close.

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

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

"*City Representative*" means the Comptroller or any other person or persons at the time designated to act on behalf of the City in matters not requiring legislative authorization relating to the Base Lease, the Lease, and the Indenture as evidenced by a written certificate furnished to the Corporation and the Trustee containing the specimen signature of such person or persons and signed on behalf of the City by its Mayor and its Comptroller. For the purpose of investing the Bond proceeds, the authorized City Representative shall be the Treasurer or his designee. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the City Representative.

"*Closing Date*" means the date of delivery of and payment for any Series of Bonds.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

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

"*Completion Date*" means the date of completion of the Project, as that date is certified as provided in Section 5.7 of the Lease and Section 505 of the Indenture.

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

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

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

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

"*Corporation*" means the St. Louis Municipal Finance Corporation, a corporation organized under the Act, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 17.1 of the Lease.

"*Corporation Representative*" means the President, any Vice President, or any other person or persons at the time designated to act on behalf of the Corporation in matters relating to the Base Lease, the Lease, the Leasehold Deed of Trust, and the Indenture as evidenced by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or any Vice President. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Corporation Representative.

"*Cost*" or "*Costs*" means all Construction Costs and all reasonable and necessary expenses of or incidental to the Project directly or indirectly payable or reimbursable by the Corporation, and costs reasonable and necessary and related to the authorization, sale, and issuance of the Bonds, including, but not limited to, legal, organizational, marketing, or other special services, financial or underwriting fees and expenses, and any other fees and expenses incurred, including the costs of Credit Enhancement, if any, filing and recording fees, initial fees and charges of the Trustee, expenses of feasibility studies, title insurance policies, and all other reasonable, necessary, and incidental expenses; provided, that any legal fees of the Corporation with respect to the Bonds shall be as pre-approved by the Comptroller.

"*Counsel*" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the City or the Corporation.

"*Credit Enhancement*" means a letter of credit, surety bond, or municipal bond insurance policy or policies, if any, guaranteeing, providing for, or insuring the payment when due of the principal of, and the interest on, one or more Series of Bonds as provided therein, issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such facility. The Bond Insurance Policy and the Reserve Policy are Credit Enhancement within the meaning of such term.

"*Credit Provider*" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company, or any successor thereto or assignee thereof, as issuer of the Bond Insurance Policy and the Reserve Policy.

"*Debt Service Fund*" means the Recreation Sales Tax Leasehold Revenue Bonds Debt Service Fund created in Section 401 of the Indenture.

"*Debt Service Reserve Fund*" means the Recreation Sales Tax Leasehold Revenue Bonds Debt Service Reserve Fund created in Section 401 of the Indenture.

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

"*Debt Service Reserve Fund Requirement*" means the least of (a) the maximum annual debt service on the Bonds Outstanding, (b) the sum of 10% of the original proceeds of each Series of Bonds, or (c) 125% of the average annual debt service requirements on the Bonds when issued; except that the Debt Service Reserve Fund Requirement for any Series of Additional Bonds not secured by the Debt Service Reserve Fund shall be as provided in the Supplemental Indenture authorizing such Series of Additional Bonds. The Debt Service Reserve Fund Requirement may be satisfied by Debt Service Reserve Fund Deposits in cash or in partial substitution or in lieu of cash by any Credit Enhancement guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement.

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

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

"*Environmental Laws*" means any now-existing or hereafter enacted or promulgated federal, State, local, or other law, statute, ordinance, rule, regulation or court order pertaining to (i) environmental protection, regulation, contamination or clean-up, (ii) toxic waste, (iii) underground storage tanks, (iv) asbestos or asbestos-containing materials, or (v) the handling, treatment, storage, use or disposal of Hazardous Materials, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act and the Resource Conservation and Recovery Act, all as exist from time to time.

"*Environmental Notices*" means any emergency and hazardous chemical inventory forms that given to any federal, State or local governmental authority or agency as required pursuant to the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C.A. § 11001, *et seq.*, as amended, or any other Environmental Laws.

"*Event of Default*" means (a) with respect to the Indenture any Event of Default as defined in Section 901 of the Indenture, (b) with respect to the Lease any Event of Default as defined in Section 12.1 thereof, and (c) with respect to the Leasehold Deed of Trust any Event of Default as defined in Section 23 thereof.

"*Event of Non-Appropriation*" means an Event of Non-Appropriation as provided in Section 11.4 of the Lease.

"*Fiscal Year*" means the fiscal year now or hereafter adopted by the Corporation and, with respect to the City, its fiscal year currently beginning on July 1 of each calendar year.

"*Global Bond Certificates*" means one or more bond certificates of the Corporation, each certificate representing the entire principal amount of the Bonds due on a particular Stated Maturity, immobilized from general circulation by the Depository.

"*Hazardous Materials*" means all (i) "hazardous substances" (as defined in 42 U.S.C. §9601(14)), (ii) extremely hazardous substances subject to regulation under Title III of the Superfund Amendments and Reauthorization Act of 1986, as amended from time to time, (iii) hazardous chemicals as defined by the OSHA Hazard Communication Standard, (iv) natural gas, liquids, liquefied natural gas, or synthetic gas, (v) any petroleum, petroleum-based products, or crude oil, or any fraction thereof, or (vi) any other hazardous or toxic substances, hazardous or solid wastes or materials, pollutants, contaminants, or any other substances or materials which are included under or regulated by any Environmental Law.

"*Impositions*" means those taxes, assessments, and other impositions defined in Article VI of the Lease.

"*Indenture*" means this Trust Indenture dated as of the July 1, 2007, between the Corporation and the Trustee authorized by the Resolution, as from time to time amended and supplemented in accordance with the provisions of Article XI of the Indenture.

"*Interest Payment Date*" means, with respect to the Bonds, February 15 and August 15 of each year as long as the Bonds remain Outstanding, and, with respect to the Series 2007 Bonds, beginning February 15, 2008, and, with respect to any Additional Bonds, beginning the date specified in the Supplemental Indenture authorizing such Additional Bonds.

"*Lease*" means the Lease Purchase Agreement, between the Corporation and the City, dated as of July 1, 2007, as from time to time supplemented or amended in accordance with Article XIV of the Lease and Article XII of the Indenture.

"*Leased Property*" has the meaning given such term in Exhibit C of the Indenture.

"*Leasehold Deed of Trust*" means the Leasehold Deed of Trust, Security Agreement, and Fixture Filing, dated as of July 1, 2007, by the Corporation for the benefit of the Trustee and the deed of trust trustee named therein.

"*Maturity*" means, with respect to any Bond, the date on which the principal of such Bond becomes due and payable as provided in such Bond or the Indenture, whether at the Stated Maturity or by declaration or acceleration or call for redemption or otherwise.

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

"*Moody's*" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

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

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

"*Ordinance*" means Ordinance No. 67495 adopted by the Board of Aldermen on May 24, 2007, and approved by the Mayor of the City, which authorizes, among other things, the issuance, sale, and delivery of the Series 2007 Bonds, in accordance with the Indenture, and any amendments or supplements thereto.

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

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

(b) Bonds which are deemed paid under 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 City, or any person controlling, controlled by, or under common control with the Corporation or the City, for purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds outstanding under the Indenture, the Base Lease, or the Lease.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Series 2007 Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement, the Series 2007 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the Trust Estate and all covenants, agreements, and other obligations of the Corporation to the registered owners shall continue to exist and shall run to the benefit of the Credit Provider, and the Credit Provider shall be subrogated to the rights of such Registered Owners.

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

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

"Permitted Encumbrances" means:

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

(b) Impositions which are not then delinquent, or if then delinquent, are being contested in accordance with Section 6.2 of the Lease;

(c) utility, access, and other easements and rights-of-way, restrictions, and exceptions, including operating agreements or leases, which do not and will not interfere with or impair the operation of the Leased Property (or, if it is not being operated, the operation for which it was designed or last modified);

(d) any mechanic's, laborer's, materialman's, supplier's, or vendor's lien, or rights in respect thereof, if payment is not yet due under the contract in question or if such lien is being contested in accordance with Section 9.2 of the Lease;

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

(f) zoning laws and similar restrictions which are not violated by the Leased Property;

(g) the Base Lease;

(h) the Lease; and

(i) the Leasehold Deed of Trust.

"Permitted Investments" means

A. The following obligations which the Credit Provider will allow to be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts. (The Credit Provider does not give a premium credit for the investment of accrued and/or capitalized interest).

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation); and
(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations,
- All direct or fully guaranteed obligations,
- Farmers Home Administration,
- General Services Administration,
- Guaranteed Title XI financing,
- Government National Mortgage Association (GNMA), and
- State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. The Credit Provider will allow the following Obligations to be used as Permitted Investments 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:

- Export-Import Bank,
- Rural Economic Community Development Administration,
- U.S. Maritime Administration,
- Small Business Administration,

- U.S. Department of Housing & Urban Development (PHAs),
- Federal Housing Administration, and
- 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:

Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC),

Obligations of the Resolution Funding Corporation (REFCORP),

Senior debt obligations of the Federal Home Loan Bank System, and

Senior debt obligations of other Government Sponsored Agencies approved by Ambac;

(3) U.S. 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 "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar 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, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 calendar 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 of America 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

(A) which are rated, based on an irrevocable escrow account or fund (the *"escrow"*), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) 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 paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) 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 paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment Agreements approved in writing by the Credit Provider (supported by appropriate opinions of counsel); and

(9) other forms of investments (including repurchase agreements) approved in writing by the Credit Provider.

C. The value of the above investments shall be determined as follows:

a) 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 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, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers.

b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus. accrued interest thereon; and

c) As to any investment not specified above, the value thereof established by prior agreement among the Corporation, the Trustee, and the Credit Provider.

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

"Policy Costs" shall have the meaning assigned to it in Section 608(a) of the Indenture.

"Principal Payment Date" means, with respect to the Bonds, February 15 of each year as long as the Bonds remain Outstanding, and, with respect to the Series 2007 Bonds, beginning February 15, 2008, and, with respect to any Additional Bonds, beginning the date specified in the Supplemental Indenture authorizing such Additional Bonds.

"Project" has the meaning given such term in Exhibit C to the Indenture.

"Project Fund" means the Recreation Sales Tax Leasehold Revenue Bonds Project Fund created in Section 401 of the Indenture.

"Real Property" has the meaning given such term in Exhibit C to the Indenture.

"Rebate Fund" means the Rebate Fund established in Section 401 of the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the first day (whether or not a Business Day) of the calendar month of such Interest Payment Date.

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

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

issuer and any series designation), CUSIP number, if any, date of issue, interest rate, maturity, and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of the Bonds will be redeemed, the certificate numbers and the principal amount of the Bonds to be redeemed, (b) identifies the date on which the notice is published and the Redemption Date, (c) states the price at which the Bonds will be redeemed, (d) states that interest on the Bonds or the portions of Bonds called for redemption will stop accruing from the Redemption Date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the Redemption Date, (e) states that payment for the Bonds will be made on the Redemption Date at the principal corporate trust office of the Trustee, or such other office as the Trustee shall designate, during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part, and (f) identifies by name and telephone number a representative of the Trustee who may be contacted for additional information.

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

"*Rentals*" or "*Rent*" means those payments required to be made by the City pursuant to Section 4.1 of the Lease.

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

"*Reserve Policy*" means surety bond issued by the Credit Provider guaranteeing certain payments into the Debt Service Reserve Fund with respect to the Series 2007 Bonds as provided therein and subject to the limitations set forth therein.

"*Resolution*" means the Resolution adopted by the Board of Directors of the Corporation authorizing, among other things, the issuance, sale, and delivery of the Series 2007 Bonds, and the execution of certain documents related thereto, in accordance with the Indenture.

"*S&P*" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"*Series*" means all of the Bonds delivered on original issuances in a simultaneous transaction and identified pursuant to Section 201 or Section 210 of the 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 2007 Bonds*" means the Recreation Sales Tax Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee), Series 2007 authorized by the Indenture.

"*Series 2007 Tax Compliance Agreement*" means the Tax Compliance Agreement, executed by the City, the Corporation, and the Trustee in connection with the issuance of the Series 2007 Bonds to evidence compliance with the provisions of Sections 141 through 150 of the Code.

"*State*" means the State of Missouri.

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

"*Supplemental Base Lease*" means any lease supplemental or amendatory to the Base Lease entered into by the City and the Corporation pursuant to Section 7.3 of the Base Lease and Article XII of the Indenture.

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

"*Supplemental Lease*" means any lease purchase agreement supplemental or amendatory to the Lease entered into by the Corporation and the City pursuant to Article XIV of the Lease and Article XII of the Indenture.

"*Tax Compliance Agreement*" means any agreement, including the Series 2007 Tax Compliance Agreement, executed by the City, the Corporation, and the Trustee in connection with the issuance of a Series of Bonds to evidence compliance with the provisions of Sections 141 through 150 of the Code.

"*Term*" or "*Lease Term*" means the term of the Lease beginning as of the Closing Date and ending (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date on which there occurs an Event of Default with respect to the City under the Lease if the Corporation or the Trustee elects to terminate the Lease pursuant to the terms thereof; (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease shall be paid by the City; or (iv) upon the discharge of the Indenture as provided in the Indenture.

"*Treasurer*" means the Treasurer of the City.

"*Trust Estate*" means the Trust Estate provided in the Granting Clauses of the Indenture.

"*Trustee*" means UMB Bank, N.A., St. Louis, Missouri, as trustee under the Indenture and any successors or assigns.

"*UCC*" means the Uniform Commercial Code as adopted by the State, as amended.

"*United States Treasury Obligations*" means direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America.

"*Value*" as of any particular time of determination, means,

(a) for securities:

(1) the closing price as quoted by Interactive Data Systems, Inc.; or

(2) a valuation performed by a nationally recognized and accepted pricing service utilized by the Trustee in servicing its trust business generally (selected by the Trustee in its absolute discretion); or

(b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest;

(c) with respect to any investment agreement, the total amount that may be withdrawn therefrom for the purposes of the fund in which it is held;

(d) with respect to an insurance policy, letter of credit or surety bond guaranteeing payments into the Debt Service Reserve Fund, the face value thereof; and

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

"*Written Request*" with reference to the Corporation means a request in writing signed by the Corporation Representative and with reference to the City means a request in writing signed by the City Representative, or any other officers designated by the Corporation or the City, as the case may be, to sign such Written Requests.

APPENDIX D
SUMMARIES OF LEGAL DOCUMENTS
SUMMARY OF TRUST INDENTURE

The following is a summary of certain provisions of the Trust Indenture, dated as of July 1, 2007, by and between the Corporation and the City (the "*Indenture*"). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Indenture, a copy of which is available from the Corporation.

Nature of Obligations. The Bonds and the interest thereon shall be special obligations of the Corporation payable solely out of the Rentals, Additional Rentals, and certain other revenues, moneys, and receipts derived by the Corporation pursuant to the Lease, and are secured by a pledge and assignment of the Trust Estate to the Trustee in favor of the Bondholders, as provided in the Indenture. No incorporator, member, agent, employee, director, or officer of the Corporation or the City shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease for anything done or omitted to be done by the Corporation under the Indenture. The Bonds and the interest thereon shall not be a debt of the City, the State, or any instrumentality thereof, and none of the City, the State, or any instrumentality thereof shall be liable thereon, and the Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Method and Place of Payment of Bonds; Interest Rights Preserved. Payment of the principal of and redemption premium, if any, shall be made upon the presentation and surrender of such Bonds at their respective Maturities at the payment office of the Paying Agent. Payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the Registered Owner thereof at the close of business on the Record Date next preceding said Interest Payment Date (a) by check or draft mailed to such Bondholder at its address as it appears on the Bond Register, or (b) upon written request to the Trustee by any Holder of Bonds in the aggregate principal amount of at least $1,000,000, by electronic transfer to such Holder upon written notice to the Trustee from such Holder containing the electronic transfer instructions (which shall be located in the continental United States) to which such Holder wishes to have such transfer directed, provided such written notice is given by such Holder to the Trustee not less than five Business Days before the applicable Record Date. Any such written notice for electronic transfer shall include the name of the bank, its address, its ABA routing number and the name, number and contact name related to such Holder's account at such bank to which the payment is to be credited.

Assignment of Trust Estate. The Corporation, in consideration of the premises set forth in the Indenture, in order to secure the payment of the principal of and premium, if any, and interest on the Bonds according to their tenor and effect, and to secure the performance and observance by the Corporation of the covenants, agreements, and conditions in the Indenture and in the Bonds contained, does, subject to the Lease, grant, bargain, and sell, mortgage, warrant, convey, and confirm and pledge, assign, and grant a security interest in all and singularly the following property (said property being referred to in the Indenture as the "Trust Estate") unto the Trustee and its successors-in-trust and its assigns, for the benefit of the Bondholders:

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

2. All right, title, and interest of the Corporation (including the right to enforce any of the terms thereof) in, to and under (a) the Base Lease, (b) the Lease and all Rentals and Additional Rentals (as defined below) and certain other revenues, moneys, and receipts pursuant to the Lease or otherwise available to secure the Bonds, except the amounts provided in clauses (f) and (h) of Section 4.2 of the

Lease and the Corporation's rights to indemnification under the Lease, (c) the Leasehold Deed of Trust, (d) all financing statements or other instruments or documents evidencing, securing, or otherwise relating to the Lease or the Leasehold Deed of Trust, and (e) any and all real and personal property interests of the Corporation, including, but not limited to, equipment acquired in connection with the Leased Property pursuant to the Base Lease and the Lease, subject to (b) in the Lease above.

3. All moneys and securities from time to time held by the Trustee under the Indenture, excluding moneys on deposit in the Rebate Fund (as defined below) and any and all other real or personal property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned, or transferred as and for additional security under the Indenture by the Corporation or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

Additional Bonds. So long as no Event of Default has occurred and is continuing or any other event which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease (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 2007 Bonds and any other Outstanding Bonds, with the prior written consent of the Credit Provider, at any time and from time to time upon compliance with the conditions provided in this Section, for the following purposes: (i) paying the Costs of completing the Project, such cost to be evidenced by a certificate signed by a City Representative and a Corporation Representative; or (ii) providing funds for refunding all or any part, of the Bonds then Outstanding of any Series, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding; provided, however, that a refunding of all of the Bonds then Outstanding will not require the consent of the Credit Provider.

Such Additional Bonds shall have the same designation as the Series 2007 Bonds, except for an identifying series letter or date and except, if appropriate, for the addition of the word "Refunding" in the case of Bonds which are Refunding Bonds, shall be numbered, shall bear interest at such rate or rates not exceeding the maximum rate then permitted by law, shall be stated to mature and shall be redeemable at such times and prices (subject to Article III of the Indenture), all as may be provided by the Supplemental Indenture authorizing such Additional Bonds. Except as to any difference in the date, the Stated Maturities, the rate or rates of interest, the provisions for redemption, or the provisions for debt service reserve funds or accounts, such Additional Bonds shall be entitled to the same benefit and security of the Indenture as the Bonds. No Refunding Bonds shall be issued to refund all or a portion of Bonds Outstanding unless such Outstanding Bonds shall be deemed defeased under the Indenture upon completion of such refunding and the total debt service due shall be no greater than such total debt service would have been without the refunding of such Outstanding Bonds.

Creation of Funds and Accounts. Under the Indenture, there are created and ordered to be established in the custody of the Trustee:

(a) the Recreation Sales Tax Leasehold Revenue Bonds Debt Service Fund, including an account to be designated the "Series 2007 Debt Service Account" (the "Debt Service Fund");

(b) the Recreation Sales Tax Leasehold Revenue Bonds Debt Service Reserve Fund (the "Debt Service Reserve Fund");

(c) the Recreation Sales Tax Leasehold Revenue Bonds Project Fund, including separate and distinct accounts to be designated the "Series 2007 Project Account" and the "Series 2007 Costs of Issuance Account" (the "Project Fund"); and

(d) the Rebate Fund.

Application of Proceeds of Series 2007 Bonds. The proceeds of the sale of the Series 2007 Bonds, $52,056,927.74 (representing $51,965,000.00 principal amount, plus net original issue premium of $485,826.15, less underwriters' discount of $393,898.41) shall be deposited or delivered as follows:

(a) the sum of $51,319,348.29 shall be deposited into the Series 2007 Project Account; and

(b) the sum of $737,579.45 shall be deposited into the Series 2007 Costs of Issuance Account.

The Trustee shall maintain separate accounts for funds and securities attributable to each Series of Bonds in the funds established with the Trustee for any Series of Bonds so that calculations required by the Tax Compliance Agreement for each Series of Bonds can be made separately for such Series. Any transfer of funds or securities or earnings thereon from one fund or account to another shall be made to the appropriate account or subaccount for the same Series of Bonds to which such funds or securities are attributed. If, at any time, a payment is made to any such fund that is less than the amount due and payable to such fund, the amount paid shall be credited pro rata to each separate account within such fund, based on the amount owed to each such account.

Application of Funds with Respect to the Debt Service Fund. The Trustee shall deposit into the Series 2007 Debt Service Account: (a) all amounts to be deposited in the Debt Service Fund pursuant to Section 4.1 and Section 4.2 of the Lease corresponding to the payments of principal of, redemption premium, if any, and interest on the Series 2007 Bonds; (b) all interest and other income derived from investments of funds on deposit in the Series 2007 Debt Service Account; (c) any amounts on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement and certain investment earnings on amounts in the Debt Service Reserve Fund, pursuant to Section 502 and Section 503 of the Indenture; and (d) all other moneys received by the Trustee which the Trustee is directed in writing to deposit in the Series 2007 Debt Service Account.

Except as provided in Section 507, Section 508, and Section 909 of the Indenture, and except as may be provided in any Supplemental Indenture with respect to using moneys in the Debt Service Fund to purchase Bonds in the open market, moneys in the Debt Service Fund shall be expended solely for the payment of the principal of, and redemption premium, if any, and interest on, the Bonds as the same mature and become due or upon the redemption thereof prior to maturity.

The Corporation authorizes and directs the Trustee to withdraw sufficient funds from the Debt Service Fund to pay the principal of, and redemption premium, if any, and interest on the Bonds as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying such principal, redemption premium, if any, and interest.

Whenever the amount in the Debt Service Fund from any source whatsoever is sufficient to redeem all of the Bonds Outstanding and pay interest to accrue thereon prior to such redemption, the Corporation, upon the direction and instruction of the City, shall take and cause to be taken the necessary steps to redeem all such Bonds on the next succeeding Redemption Date for which the required redemption notice may be given or on such later Redemption Date as may be specified by the City. Any moneys in the Debt Service Fund may be used to redeem a portion of the Bonds Outstanding so long as the City is not in default with respect to any payments under the Lease and to the extent said moneys exceed the amount required (i) for payment of Bonds theretofore matured or called for redemption, and (ii) for payment of any past due interest remaining unpaid.

Application of Funds With Respect to the Debt Service Reserve Fund. The Debt Service Reserve Fund Requirement for the Series 2007 Bonds shall be satisfied initially by depositing the Reserve Policy with the Trustee. Except as otherwise provided in the Indenture, funds on deposit in the Debt Service Reserve Fund and amounts available under the Reserve Policy may be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Debt Service Fund shall be insufficient to pay the principal of and interest on the Bonds as the same become due. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund whether or not the amount therein equals the Debt Service Reserve Fund Requirement. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Bonds called for redemption or to purchase Bonds in the open market, prior to their Stated Maturity, provided all Bonds at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund shall be used to pay and retire the Bonds last becoming due, unless such Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Debt Service Reserve Fund, including amounts available under the Reserve Policy, shall aggregate an amount equal to the Debt Service Reserve Fund Requirement on each valuation date pursuant to Section 503, no further deposits to said Debt Service Reserve Fund shall be required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default as provided in the Indenture and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the City shall, pursuant to Section 4.2 of the Lease, make up such deficiency by making monthly payments of Additional Rentals, in accordance with Section 608 of the Indenture with respect to draws on the Reserve Policy, and with respect to a draw of any cash withdrawn from the Debt Service Reserve Fund, commencing on the fifteenth day of the calendar month following the date of such withdrawal and continuing on the fifteenth day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency, until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

So long as the sum on deposit and amounts available under the Reserve Policy in the Debt Service Reserve Fund shall aggregate an amount equal to the Debt Service Reserve Fund Requirement, investment earnings on funds on deposit in the Debt Service Reserve Fund shall be deposited into the Debt Service Fund. If, however, the sum on deposit in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Fund Requirement investment earnings on funds in the Debt Service Reserve Fund shall remain therein and be applied to reducing such deficiency.

Notwithstanding the foregoing, any Credit Enhancement guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement may be used in lieu of or as partial substitution for cash in the Debt Service Reserve Fund. In the case of the utilization of any cash substitute as provided in this paragraph, any moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the Debt Service Fund.

Valuation of Debt Service Reserve Fund. Permitted Investments in the Debt Service Reserve Fund shall be evaluated at the market value thereof, exclusive of accrued interest, by the Trustee quarterly on February 15, May 15, August 15, and November 15 of each year and the amount on deposit therein determined accordingly. In the event that on any such date of evaluation the amount on deposit in any account of the Debt Service Reserve Fund shall aggregate an amount less than the applicable Debt Service Reserve Fund Requirement (by reason of such evaluation and not by reason of any withdrawal), the City shall, pursuant to Section 4.2 of the Lease, make up such deficiency as Additional Rentals equal to such deficiency no later than the next valuation date. Valuation of amounts available under the Reserve Policy shall be determined in accordance with the terms of the Reserve Policy and Section 608 of the Indenture.

Disbursements from the Project Fund.

(a) Moneys on deposit in the Series 2007 Project Account shall be expended in accordance with the Lease, and particularly Article V thereof, and such moneys shall be paid out from time to time by the Trustee upon Written Requests for Disbursement, in substantially the form attached to the Indenture, in amounts equal to the amounts of Construction Costs and other Costs of the Project. The Corporation promptly shall take all necessary and appropriate action in approving and ordering all such disbursements. The Trustee is authorized and directed to issue checks for each disbursement in the manner and as provided by the Lease.

Upon the earlier of (i) the date (and if such date is not a Business Day, the next succeeding Business Day) upon which the Project has been completed and a certificate filed as provided in Section 505 of the Indenture and Section 5.7 of the Lease, or (ii) the date (and if such date is not a Business Day, the next succeeding Business Day) which is 148 months from the Closing Date, the Trustee shall file a final statement of receipts and disbursements with respect thereto with the Corporation and with the City and shall transfer any moneys remaining in the Series 2007 Project Account to the Series 2007 Debt Service Account.

(b) Moneys on deposit in the Series 2007 Costs of Issuance Account shall be paid out from time to time by the Trustee upon Written Requests for Disbursement, in substantially the form attached to the Indenture, in an amount equal to the amount of costs and expenses of issuing and securing the Series 2007 Bonds certified in such Written Requests, including, without limitation, printing expenses, rating agency fees, recording, and filing fees, Trustee's and depository's fees and expenses, fees and expenses of the Corporation, legal fees and expenses, and other fees and expenses incurred or to be incurred by or on behalf of the Corporation or the City in connection with or incident to the issuance, sale, and delivery of the Series 2007 Bonds. The Corporation promptly shall take all necessary and appropriate action in approving and ordering all such disbursements. The Trustee is authorized and directed to issue checks for each disbursement in the manner and as provided in this subsection.

Upon the earlier of (i) the date (and if such date is not a Business Day, the next succeeding Business Day) upon which the Trustee is advised in writing by the Corporation Representative that such costs and expenses have been paid, or (ii) the date (and if such date is not a Business Day, the next succeeding Business Day) which is six months from the Closing Date, the Trustee shall transfer any moneys remaining in the Series 2007 Costs of Issuance Account to the Series 2007 Project Account.

Rebate Fund. In accordance with any Tax Compliance Agreements, the Corporation has covenanted to calculate and pay directly to the United States of America all amounts due for payment of "arbitrage rebate" under Section 148(f) of the Code with respect to the Series 2007 Bonds. Accordingly, no amounts shall be deposited in the Rebate Fund, provided, however, that the Corporation may in the future deposit with the Trustee or direct the Trustee in writing to deposit in the Rebate Fund amounts held in any fund or account under the Indenture for the Series 2007 Bonds (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate). The Rebate Fund is a trust fund, but amounts therein do not constitute part of the Trust Estate. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States of America under Section 148(f) of the Code and to pay costs related to the calculation of the amounts due. Any amounts remaining in the

Rebate Fund upon satisfaction of all rebate obligations payable to the United States of America shall be transferred to the City.

Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal therein becomes due, either upon its Stated Maturity, Redemption Date, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Corporation to the Bondholder thereof for the payment of such Bond shall forthwith cease, determine, and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on its part under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within four years following the date when such Bond becomes due, whether upon its Stated Maturity, Redemption Date, or otherwise, the Trustee shall without liability for interest thereon repay to the City the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Bondholder thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Repayment to the City. After payment in full of the principal of and redemption premium, if any, and interest on, the Bonds (or after provision has been made for the payment thereof as provided in the Indenture), and the fees, charges, and expenses of the Corporation, the Trustee, and the Paying Agent, and any other amounts required to be paid under the Indenture and Lease, all amounts remaining in any fund created under the Indenture shall be paid to the City upon the expiration or sooner termination of the Lease.

Investment of Moneys. Moneys held in the Project Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Rebate Fund shall, pursuant to written direction of the City, signed by the Treasurer or its designee, and in accordance with any Tax Compliance Agreements, be invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the holder prior to the date such funds will be needed. In the absence of such direction, the Trustee is authorized to invest moneys in Permitted Investments of the type described in subparagraph (7) of the definition thereof. The Trustee is specifically authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge its normal cash management fees and cash sweep account fees, which may be deducted from income earned on investments. The Trustee may conclusively rely upon the City's written directions as to both the suitability and legality of the directed investments. Unless otherwise provided in the Indenture, any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Permitted Investments shall be credited to such fund or account or as otherwise provided by a Supplemental Indenture, and any loss resulting from such Permitted Investments shall be charged to such fund or account. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund or account is insufficient for the purposes of such fund or account. The Trustee shall transfer any excess monies in the Debt Service Reserve Fund to the Debt Service Fund after each quarterly valuation.

Events of Default. If any one or more of the following events occur, it is defined as and declared to be and to constitute an "Event of Default:"

(a) Default by the Corporation in the due and punctual payment of any interest on any Bond;

(b) Default by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the Stated Maturity or other Maturity thereof, or upon proceedings for redemption thereof;

(c) Default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Corporation contained in the Indenture or in the Bonds or in any other document or instrument that secures or otherwise relates to the debt and obligations secured by the Indenture, and the continuance thereof for a period of 30 days after written notice given to the Corporation and the City by the Trustee, or to the Trustee, the City, and the Corporation by the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee may consent in writing to an extension of such time prior to its expiration, and the Trustee will not unreasonably withhold its consent to such an extension if corrective action is instituted by the Corporation or the City within the 30-day period and diligently pursued to completion and if such consent, in its judgment, does not materially adversely affect the interests of the Bondholders; provided, however, that such period shall not extend beyond a total of 90 days without the prior written consent of the Credit Provider so long as the Credit Provider has not failed to comply with its obligations under the applicable Credit Enhancement. Upon receipt of notice of any Event of Default under this subparagraph (c), the City shall have the rights specified in subparagraph (b) of Section 914 of the Indenture; or

(d) An Event of Default under Section 12.1 of the Lease or under Section 23 of the Leasehold Deed of Trust.

Notice of any Event of Default shall be given to the Corporation, and the City by the Trustee within thirty (30) days of the Trustee's knowledge thereof pursuant to Section 1001(h) and the City, upon receipt of such notice, shall have the rights specified in Section 914 of the Indenture.

In determining whether a payment default has occurred or whether a payment of interest on, principal of, or redemption premium, if any, on the Series 2007 Bonds has been made under the Indenture, no effect shall be given to payments made under the Bond Insurance Policy.

Acceleration of Maturity in Event of Default. If an Event of Default shall have occurred and be continuing, the Trustee may, and upon the written request of the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Corporation and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereof immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Any acceleration of the Series 2007 Bonds or any annulment thereof shall be subject to the prior written consent of the Credit Provider (if it has not failed to comply with its payments obligations under the Bond Insurance Policy).

If the maturity of the Series 2007 Bonds is accelerated, the Credit Provider may elect, in its sole discretion, to pay accelerated principal of and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Corporation), and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Credit Provider's obligations under the Bond Insurance Policy with respect to such Series 2007 Bonds shall be fully discharged.

Surrender of Possession of Trust Estate; Rights and Duties of Trustee in Possession. Pursuant to Section 3.2 of the Lease, the City is required to give notice to the Corporation with a copy to the Trustee as early as practicable in each Fiscal Year and in any case no later than three (3) Business Days following the date on which the budget for the next succeeding Fiscal Year is finally approved by the Board of Alderman of the City of either (i) the termination of the Lease or (ii) the budgeting and appropriation of sufficient funds to make all payments of Rentals during the next succeeding Fiscal Year. Notice that sufficient funds have been appropriated for the next succeeding Fiscal Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all payments of Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required for such Fiscal Year by the terms of the Lease. If the Trustee does not receive such notice by the last day of any Fiscal Year, the Trustee shall request that the City confirm in writing the fact that appropriation has been made. If notice of termination has been duly given pursuant to the Lease, all of the City's right, title, interest and obligations under the Lease shall terminate without penalty on the last day of the then current Fiscal Year for which Rentals and Additional Rentals have been paid. Pursuant to the Lease, failure of the City to budget and appropriate prior to June 30 (or such other date as the City shall adopt as the end of its Fiscal Year) of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals for the following Fiscal Year, shall constitute an Event of Non-Appropriation.

Upon the occurrence and continuance of any Event of Non-Appropriation, the Corporation shall, upon direction of the Credit Provider, so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, give notice to the City to vacate the Leased Property immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the City has paid or appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and the Corporation shall, upon direction of the Credit Provider, so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, without any further demand or notice to the City, (i) terminate the Lease, reenter the Leased Property and eject all parties in possession therefrom, and use its best efforts to sublease the Leased Property, or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Leased Property, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers, and accounts of the Corporation pertaining thereto, and including the rights and the position of the Corporation under the Lease and to collect, receive, and sequester the Rentals and other revenues, moneys, and receipts derived under the Lease, and out of the same and any moneys received from any receiver of any part thereof pay, and set up proper reserves for the payment of all proper costs and expenses of so taking, holding, and managing the same, including (i) reasonable compensation to the Trustee, its agents and counsel, and (ii) any charges or expenses of the Trustee and its agents and counsel under the Indenture, and the Trustee shall apply the remainder of the moneys so received in accordance with Section 909. The collection of such Rentals, revenues, and other receipts, or the application thereof as aforesaid, shall not cure or waive any default or notice of default under the Indenture or invalidate any act done in response to such default or pursuant to notice of default. Whenever all that is due upon the Bonds shall have been paid and all defaults cured, the Trustee shall surrender possession of the Trust Estate to the Corporation, its successors or assigns, the same rights, however, to exist upon any subsequent Event of Default.

Appointment of Receivers in Event of Default. If an Event of Default shall have occurred and be continuing, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee or of the Bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the earnings, income, products, and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Exercise of Remedies by the Trustee. Upon the occurrence of an Event of Default, the Trustee may, acting at the direction of the Credit Provider (so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement), pursue any available remedy at law or equity by suit, action, mandamus, or other proceeding to enforce the payment of the principal of and interest on the Bonds then Outstanding, and enforce and compel the performance of the duties and obligations of the Corporation as set forth in the Indenture or to enforce or realize upon any of the rights, powers, liens, or interests granted to the Trustee. Upon the occurrence of an Event of Default, the Trustee may exercise any of the rights and remedies of a secured party under the UCC or other applicable laws and require the Corporation to assemble any collateral covered by the Indenture and make it available to the Trustee at a place to be designated by the Trustee which is reasonably convenient to both parties.

Exercise of Rights and Powers. If an Event of Default shall have occurred and be continuing, and if requested so to do by the Holders of 25% in aggregate principal amount of Bonds then Outstanding and indemnified as provided in subparagraph (l) of Section 1001 the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article as the Trustee, being advised by counsel, shall deem most expedient in the interests of the 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: (a) a default has occurred of which the Trustee has been notified or is deemed to have notice, as provided in subparagraph (h) of Section 1001 of the Indenture; (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 in the Lease before granted or to institute such action, suit, or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in subparagraph (l) of Section 1001 of the Indenture; and (d) the Trustee shall thereafter fail or refuse to exercise the powers granted or to institute such action, suit, or proceeding in its own name; and such notification, request, and provision of indemnity are declared in every case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture, it being understood and intended that no one or more Bondholders shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his, or their action, or to enforce any right under the Indenture except in the manner 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 Corporation to pay the principal of, and redemption premium, if any, and interest on, each of the Bonds to the respective Registered Owner thereof at the time, place, from the source, and in the manner expressed in such Bond and in the Indenture.

Right of Bondholders to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, but subject to the rights of the Credit Provider set forth in Section 603, the Holders of a majority in aggregate principal amount of Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceedings directed would involve it in personal liability.

Application of Moneys in Event of Default. Upon an Event of Default, all moneys received by the Trustee pursuant to the Lease or pursuant to any right given or action taken under this Article or any other provisions of the Indenture, shall, after payment of the (i) cost and expenses of the proceedings resulting in the collection of such moneys, and (ii) of the fees, expenses, liabilities, and advances incurred or made by the Trustee, be deposited in the Debt Service Fund and any other fund created for the payment of Bonds and all moneys so deposited in the Debt Service Fund or such other fund shall be applied as follows:

(a) If the principal of all the Bonds shall not have become due or shall not have been declared due and payable, all such moneys shall be applied:

First -- To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments of interest became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second -- To the payment to the persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Bonds which shall have become due and payable (other than Bonds called for redemption for the payment of which moneys are held pursuant to the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due and payable, and, if the amount available shall not be sufficient to pay in full all Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and redemption premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First -- To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments of interest became due and payable and, if the amount available shall not be sufficient to pay such amounts in full, then to the payment ratably, according to the amounts due, to the persons entitled thereto, without any discrimination or privilege; and

Second -- To the payment to the persons entitled thereto of unpaid principal of and redemption premium, if any, then due and unpaid on all of the Bonds, without preference or priority of principal or premium of any Bond over principal or premium of any other Bond, ratably, according to the amounts due respectively for principal and redemption premium, if any, to the persons entitled thereto, without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under this Article then, subject to subparagraph (b) of this Section, 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) of this Section.

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.

Opportunity of City to Purchase Corporation's Interest and to Cure Defaults. Upon receipt of notice by the City of an Event of Default pursuant to subparagraph (a) or (b) of Section 901 of the Indenture, the Corporation has, by Section 10.1(b) of the Lease, granted the City an option to purchase the Corporation's interest in the Leased Property. Upon receipt of notice by the City of an Event of Default pursuant to subparagraph (c) of Section 901 of the Indenture, the Corporation grants the City full authority, on account of the Corporation, to perform any covenant, agreement, or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Corporation, with full power to do any and all things and acts to the same extent that the Corporation could do and perform any such things and acts in order to remedy such default.

Supplemental Indentures Not Requiring Consent of Bondholders. The Trustee and the Corporation, with the approval of the City if so required by Section 1103, may from time to time, with the consent of the Credit Provider (so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement) but without the consent of or notice to any of the Bondholders, enter into such Supplemental Indenture or Supplemental Indentures as shall not adversely affect the interests of the Bondholders, for any one or more of the following purposes: (a) To cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture; (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or any of them; (c) To subject to the Indenture additional revenues, properties, or collateral; (d) To issue Additional Bonds as provided in Section 210; (e) To make any other change which in the sole determination of the Trustee does not materially adversely affect rights of the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select; and (f) To evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee.

Supplemental Indentures Requiring Consent of Bondholders. Exclusive of Supplemental Indentures covered by Section 1101, and subject to Section 1103, the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding shall have the right, from time to time, with the consent of the Credit Provider (so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement) to consent to and approve the execution by the Corporation and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Corporation and the City for the purpose of modifying, amending, adding to, or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, that, the consent of all the Holders of Bonds then Outstanding 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 Corporation shall request, with the consent of the City, the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section 1102, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondholder at its 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 for inspection by all Bondholders at the principal corporate trust office of the Trustee or such other office as the Trustee shall designate. If within 60 days or such longer period as shall be prescribed by the Corporation following the mailing of such notice, the Holders of not less than the requisite aggregate principal amount of the Bonds and Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof and in the Indenture provided, no Holder of any 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 Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Opinion of Bond Counsel. Notwithstanding anything to the contrary in the Indenture, before the Corporation and the Trustee enter into any Supplemental Indenture pursuant to this Article, there shall have been delivered to the Corporation, the City, and the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their respective terms, will upon the execution and delivery thereof be valid and binding upon the Corporation in accordance with its terms, and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on any tax-exempt Bonds.

Supplemental Leases and Supplemental Base Leases Not Requiring Consent of Bondholders. The Corporation and the Trustee shall, with the consent of the Credit Provider (so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement) but without the consent of or notice to the Bondholders, consent to the execution of any Supplemental Lease and any Supplemental Base Lease, as may be required (a) by the Lease, the Base Lease, or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) in connection with the issuance of Additional Bonds, or (d) in connection with any other change therein which, in the sole determination of the Trustee, does not materially adversely affect the interests of the Trustee or the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select.

Supplemental Leases and Supplemental Base Leases Requiring Consent of Bondholders. Except for Supplemental Leases and Supplemental Base Leases as provided for in Section 1201, neither the Corporation nor the Trustee shall consent to the execution of any Supplemental Lease or any Supplemental Base Lease without the mailing of notice and the obtaining of the written approval or consent of the Credit Provider (so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement) and the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and obtained as provided in Section 1102; provided, that, the consent of all the Holders of Bonds shall be required for (a) the creation of any lien ranking superior to or on a parity with the lien of the Indenture, unless otherwise permitted, or (b) a reduction in the aggregate principal amount of Bonds, the Holders of which are required to consent to any Supplemental Lease or any Supplemental Base Lease. If at any time the Corporation and the City shall request the consent of the Trustee to any such proposed Supplemental Lease or any Supplemental Base Lease, the Trustee shall cause notice of such proposed Supplemental Lease or Supplemental Base Lease 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 Base Lease or Supplemental Lease and shall state that copies of the same are on file for inspection by all Bondholders at the principal corporate trust office of the Trustee or such other office as the Trustee shall designate.

Opinion of Bond Counsel. Notwithstanding anything to the contrary in the Indenture, before the Corporation and the City enter into any Supplemental Lease pursuant to this Article, there shall have been delivered to the Corporation, the City, and the Trustee an Opinion of Bond Counsel stating that such Supplemental Lease is authorized or permitted by the Indenture and the Lease, complies with their respective terms, will upon the execution and delivery thereof be valid and binding upon the Corporation and the City in accordance with its terms, and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on any tax-exempt Bonds.

Notice to Rating Agency of Supplemental Indenture, Base Lease, or Lease. The Trustee shall provide to any rating agency rating the Bonds notice of each amendment or supplement to the Indenture, Base Lease, or the Lease and a copy thereof at least 15 days in advance of its execution or adoption.

Satisfaction and Discharge of the Indenture. When all Bonds are deemed to be paid as provided in Section 1302, and provision shall also be made for paying all other sums payable under the Indenture, including the fees, charges, and expenses of the Trustee and the Paying Agent to the date of retirement of the Bonds, then the right, title, and interest of the Trustee in respect of the Indenture shall thereupon cease, terminate, and be void, and thereupon the Trustee shall cancel, discharge, and release the lien of the Indenture and shall execute, acknowledge, and deliver to the Corporation such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the lien of the Indenture, and shall assign and deliver to the Corporation any property and revenues at the time subject to the Indenture that may then be in its possession, except amounts in the Rebate Fund required to be held therein pursuant to any Tax Compliance Agreements, amounts required to be paid to the City under Section 509, and funds, or any 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 Article XIII 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 (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (i) moneys sufficient to make such payment, or (ii) 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 (b), the Trustee shall have received (1) a verification report of a nationally recognized independent certified public accounting firm acceptable to the Credit Provider as to the adequacy of the escrow to fully pay the Bonds deemed to be paid; (2) an escrow deposit agreement (which shall be acceptable in form and substance and delivered to the Credit Provider at least five Business Days prior to the funding of the escrow); and (3) an Opinion of Bond Counsel, in form and substance acceptable to the Credit Provider, to the effect that the Bonds are no longer "Outstanding" under the Indenture. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations; provided, however, that the Indenture shall not be discharged unless all amounts due to the Credit Provider have been paid.

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 (b) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with Article III or irrevocable instructions shall have been given to the Trustee to give such notice.

Notwithstanding any other provision of the Indenture, all moneys or Defeasance Obligations set aside and held in trust pursuant to this Section 1302 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.

Only Defeasance Obligations shall be used to effect defeasance of the Bonds unless the Credit Provider otherwise approves. In the event of an advance refunding, the Corporation shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (a) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (b) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (of the authorizing document, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing document, if applicable, shall be controlling.

SUMMARY OF BASE LEASE

The following is a summary of certain provisions of the Base Lease, dated as of July 1, 2007, by and between the City and the Corporation (the *"Base Lease"*). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Base Lease, a copy of which is available from the Corporation.

Lease of Leased Property. Pursuant to the Base Lease, the City demises and leases to the Corporation, and the Corporation leases from the City, the Leased Property, subject to Permitted Encumbrances, upon the terms and conditions in the Lease provided, for a term commencing as of the Closing Date and ending twenty (20) years beyond the final maturity date of the Bonds (the "Base Lease Term"); provided, however, that if the Bonds have been paid in full at maturity or defeased pursuant to Article XIII of the Indenture and the City has not been required to surrender possession of the Leased Property due to an Event of Non-Appropriation or an Event of Default under the Lease, the Base Lease will terminate upon such payment in full or defeasance.

Rent and Other Considerations. As and for rental under the Base Lease (the "Base Lease Rent") and in consideration of the leasing of the Leased Property to the Corporation under the Lease, and in order to provide funds for purposes set forth in the Recitals of the Lease, the Corporation shall: (a) Simultaneously with the delivery of the Base Lease, enter into the Lease; (b) Issue, sell, and cause to be delivered to the purchasers thereof the Bonds in one or more Series in the principal amount, bearing interest, maturing, and having the other details as set forth in the Indenture and any Supplemental Indenture; and (c) Deposit the proceeds of the sale of each Series of Bonds as provided in the Indenture and any Supplemental Indenture.

Termination. The Base Lease shall terminate as specified in Section 3.1 thereof; provided, however, in the event the City pays all Rentals and Additional Rentals provided for in Article IV of the Lease and exercises thereafter the option to purchase the Corporation's interest in the remaining Base Lease Term as provided in Article X of the Lease, then the Base Lease shall be considered assigned to the City and terminated through merger of the leasehold interest with the fee interest in the Real Property, if the City is the owner of the fee interest and elects to terminate the leasehold interest so acquired from the

Corporation. The Corporation agrees, upon such assignment and termination of the Base Lease Term, to quit and surrender the Leased Property as it then exists.

If an Event of Default under the Lease occurs for any reason, or if the City terminates the Lease and fails to purchase the Corporation's interest in the Leased Property as provided in Article X of the Lease, the Corporation shall have the right to possession thereof for the remainder of the Base Lease Term and shall have the right to sublease the same or sell its interest therein and in the Base Lease upon whatever terms and conditions it deems prudent; provided, that the Leased Property shall always be operated for a lawful purpose. In such event, if the City so requests, the Corporation shall provide the City with adequate public liability insurance covering the Leased Property for the remainder of the Base Lease Term and will furnish the City with evidence thereof. In the event that the Corporation shall receive a payment for the sale of its interest or total rental payments for subleasing that are, after the payment of the Corporation's expenses in connection therewith, including fees and expenses of the Trustee, in excess of the purchase price applicable under Section 10.2 of the Lease at the time of termination or default plus interest thereon at the interest rate per annum borne by the Bonds (which must be an amount sufficient to pay the principal of and all interest on the Bonds, or to provide for the payment thereof as provided in Article XIII of the Indenture, with amounts so received to be credited first to such interest and then to principal), then such excess shall be paid to the City by the Corporation, its assigns, or its sublessee.

Default by the Corporation. The City shall not have the right to exclude the Corporation from the Leased Property or to take possession thereof (except pursuant to the Lease) or to terminate the Base Lease prior to the termination of the Base Lease Term upon any default by the Corporation thereunder; except that if, upon exercise of the option to purchase the Corporation's interest in the Leased Property under the Lease granted to the City in Article X of the Lease and after the payment of the purchase price specified therein and the other sums payable under the Lease, the Corporation fails to convey its interest therein to the City pursuant to said option, then the City shall have the right to terminate the Base Lease, such termination to be effective 30 days after delivery of written notice of such termination to the Corporation. However, in the event of any default by the Corporation under the Base Lease, the City may maintain an action, if permitted in equity, for specific performance.

SUMMARY OF LEASE PURCHASE AGREEMENT

The following is a summary of certain provisions of the Lease Purchase Agreement, dated as of July 1, 2007, by and between the Corporation and the City (the *"Lease"*). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Lease, a copy of which is available from the Corporation.

Conveyance; Granting of Leasehold. The Corporation rents, leases, and sublets the Leased Property, subject to Permitted Encumbrances, unto the City, and the City rents, leases, and sublets the Leased Property, subject to Permitted Encumbrances, from the Corporation for the Rentals and Additional Rentals and subject to the terms and conditions set forth in the Lease.

The Corporation does lease and demise any additional property acquired by the City and leased to the Corporation pursuant to the Base Lease, subject to Permitted Encumbrances, to the City upon the terms and conditions provided in the Lease. Upon acquisition by the Corporation of a leasehold interest in any property related to or a part of the Leased Property not now owned by the City, the same shall become a part of the Leased Property leased thereunder, together with all improvements in respect of any property hereafter acquired, constructed, equipped, or installed by the City, and shall be subject to all the terms, covenants, conditions, and provisions therein contained, without further action on the part of either party.

Term of Lease. The Term of the Lease shall commence as of the Closing Date and shall terminate on the earliest of the occurrence of any of the following events: (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date upon which there occurs an Event of Default by the City under the Lease if the Corporation or the Trustee elects such remedy pursuant to Section 12.2; (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease shall be paid by the City; or (iv) discharge of the Indenture as provided in Article XIII of the Indenture. The expiration or termination of the Term of the Lease as to the City's right of possession of the Leased Property shall terminate the City's rights of use of the Leased Property; provided, however, that the City's rights under Article X shall not terminate until the lien of the Indenture is discharged, as provided in the Indenture. The termination or expiration of the Term of the Lease, of itself, shall not discharge the lien of the Indenture.

Offset. Subject to the following two paragraphs, the payment obligations of the City under the Lease shall be absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution, or set-off whatsoever and shall be sufficient to provide all funds required for debt service on the Bonds, providing for the funding of the Debt Service Reserve Fund and all other amounts required under the Indenture.

Termination. Nothing in the Lease shall be construed to require the Board of Aldermen to appropriate any money to pay any Rentals or Additional Rentals (except as heretofore appropriated). If the City fails to pay any portion of the Rentals or Additional Rentals which are due under the Lease, the City, upon the request of the Trustee or the Corporation, will immediately quit and vacate the Leased 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 between the parties and the Trustee that the City shall not be obligated to pay any Rentals or Additional Rentals to the Corporation under the Lease except as provided in the Lease. Should the City fail to pay any portion of the required Rentals and Additional Rentals, the Trustee in accordance with the Indenture may immediately bring legal action to evict the City from the Leased 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 Leased Property.

Rentals and Additional Rentals Current Expenses. The Rentals and Additional Rentals constitute current expenses of the City and the City's obligations under the Lease are from year to year only and do not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the current Fiscal Year. No provision of the Lease shall be construed or interpreted as creating a general obligation or other indebtedness of the City or any agency or instrumentality of the City within the meaning of any constitutional or statutory debt limitation. Neither the execution, delivery, and performance of the Lease nor the issuance of the Bonds directly, indirectly, or contingently obligates the City to make any payments under the Lease beyond those appropriated for the City's then current Fiscal Year; provided, however, that nothing in the Lease shall be construed to limit the rights of the Bondholders or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture.

Use of Sales Tax. The City covenants and agrees that during each Fiscal Year or portion thereof in which the Bonds remain outstanding, the City will not use revenues from the one-eighth cent sales tax approved by the voters of the City on November 7, 2006, pursuant to Sections 644.032 and 644.033, Revised Statutes of Missouri, as amended, deposited in the Local Park Fund in the City's Treasury in the then-current Fiscal Year for any purpose other than making payments of Rentals and Additional Rentals during such then-current Fiscal Year, unless such payments of Rentals and Additional Rentals, if any, have been provided for.

Annual Appropriation. 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 Leased Property pursuant to the Lease shall be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects to appropriate, in each Fiscal Year of the City during the Lease Term, funds for the City to provide financing in an amount sufficient to pay principal of, redemption premium, if any, and interest, on the Bonds. Upon such appropriation, the Rentals and reasonably estimated Additional Rentals will be available for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease (i) upon such appropriation, or (ii) upon failure to appropriate by June 30 (or such future date as the City shall adopt as at the end of its Fiscal Year) pursuant to Section 11.4(b) of the Lease.

The City shall give notice to the Corporation with a copy to the Trustee as early as practicable in each Fiscal Year and in any case no later than three (3) Business Days following the date on which the budget for the next succeeding Fiscal Year is finally approved by the Board of Aldermen of the City of either (i) the termination of the Lease or (ii) the budgeting and appropriation of sufficient funds to make all payments of Rentals and estimated Additional Rentals for such Fiscal Year. Notice that sufficient funds have been appropriated for the next succeeding Fiscal Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all payments of Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required for such Fiscal Year by the terms of the Lease. If the Trustee does not receive such notice prior to the last day of any Fiscal Year, the Trustee shall request that the City confirm in writing the fact that such appropriation has been made. If notice of termination has been duly given, all of the City's right, title, interest, and obligations under the Lease shall terminate without penalty on the last day of the then current Fiscal Year for which Rentals and Additional Rentals have been paid. Subject to Section 11.4 of the Lease, failure of the City to budget and appropriate prior to June 30 (or such other date as the City shall adopt as the end of its Fiscal Year) of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals for the following Fiscal Year, shall constitute an Event of Non-Appropriation.

The City intends, subject to the provisions above with respect to the failure of the City to budget or appropriate funds to pay Rentals and a reasonable estimate of Additional Rentals, to continue the Lease Term and to pay the Rentals and Additional Rentals under the Lease. The City reasonably believes that legally available funds in an amount sufficient to pay all Rentals and Additional Rentals during the Lease Term can be obtained and, in addition to using its bonafide best efforts to accomplish the same, shall exhaust all available administrative reviews and appeals, if any, in the event such portion of the budget request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds or to continue the Lease Term is to be made in accordance with the City's normal procedures for such decisions.

Rentals. The City, subject to the provisions of Section 3.2 of the Lease, agrees to pay or cause to be paid the amounts required by the Lease as follows:

Until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with Article XIII of the Indenture, the City shall pay to the Trustee, as assignee of the Corporation, in funds which will be immediately available to the Trustee not less than five (5) Business Days before the date any payment is due, as Rentals in respect of the Leased 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 in the Lease defined as “Rentals”).

The City covenants and agrees that it will pay Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, or interest on the Bonds shall at any time occur. If the balance in the Debt Service Fund (not subject to the lien of the Trustee under Section 1002 of the Indenture) is less than the sum then required to be on deposit therein in order to pay the principal of, premium, if any, and interest then payable on the Bonds in accordance with the provisions of Section 4.1 of the Lease, the City will forthwith pay as Rentals any such deficiency to the Trustee for deposit in the Debt Service Fund in immediately available funds and the Trustee shall deposit such sum accordingly; provided that any amount at any time held by the Trustee in the Debt Service Fund (not subject to the lien of the Trustee under Section 1002 of the Indenture) for the payment of the principal of, premium, if any, and interest on the Bonds shall, at the election of the City, be credited against the Rentals next required to be paid by the City, to the extent such amount is in excess of the amount required for payment of (i) any Bonds theretofore matured or called for redemption, plus (ii) past due interest, in all cases where such Bonds or interest checks have not been presented for payment; and provided, further, that if the amount held by the Trustee in the Debt Service Fund (not subject to the lien of the Trustee under Section 1002 of the Indenture) shall be sufficient to pay at the times required the principal of, premium, if any, and interest on all of the Bonds then remaining unpaid, the City shall not be obligated to pay Rentals.

Additional Rentals. The City shall pay or cause to be paid, subject to the provisions of Section 3.2 of the Lease, as Additional Rentals:

(a) To the Trustee amounts equal to the amounts to be paid to the Trustee pursuant to Section 1002 of the Indenture;

(b) all Impositions (as defined in Article VI of the Lease);

(c) all amounts required under Section 15.1 of the Lease;

(d) all costs incident to the payment of the principal of and interest on the Bonds as the same become due and payable, including all costs, premiums, and expenses in connection with the call, redemption, and payment of all Outstanding Bonds which amounts shall be deposited in the Debt Service Fund;

(e) the payments, if any, which the City shall be required under the Lease to deposit into the Debt Service Reserve Fund pursuant to the Indenture;

(f) all reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Lease or the Indenture by the Corporation or the Trustee and any reasonable expenses incurred by the Corporation or the Trustee to enable it to comply with the provisions of the Corporation Documents or the City Documents;

(g) all reasonable fees and expenses of the Credit Provider for the provision of any Credit Enhancement including all Policy Costs and any and all charges, fees, costs, and expenses which the Credit Provider may reasonably pay or incur in connection with:

(1) the administration, enforcement, defense, or preservation of any rights or security in the Leasehold Deed of Trust, the Indenture, the Base Lease, or the Lease (collectively, the "Related Documents");

(2) the pursuit of any remedies under the Lease or any other Related Document or otherwise afforded by law or equity;

(3) any amendment, waiver or other action with respect to, or related to the Lease or any other Related Document whether or not executed or completed;

(4) the violation by the City of any law, rule, or regulation, or any judgment, order, or decree applicable to it; or

(5) any litigation or other dispute in connection with the Lease or any other Related Document or the transactions contemplated by the Lease or thereby, other than amounts resulting from the failure of the Credit Provider to honor its obligations under the Credit Enhancement;

(h) all reasonable and necessary fees and expenses due the Corporation incurred in connection with the Bonds or the establishment and maintenance of the Corporation's status as a State nonprofit corporation;

(i) all amounts required to be rebated to the United States of America as provided in the Indenture; and

(j) any and all additional amounts owed by the City in connection with the Lease.

Construction on the Project. The City shall acquire, construct, renovate, equip, furnish, and improve the Project, or shall cause the Project to be acquired, constructed, renovated, equipped, furnished, and improved, in accordance with the Construction Contracts and the Plans and Specifications. The City agrees that the aforesaid acquisitions, construction, renovations, equipping, furnishing, and installation, will, with such changes and additions as may be made under the Lease, result in improvements suitable for use by the City.

Payment for Construction Costs. Except as provided in Section 5.6 of the Lease, all Construction Costs of the Project to be paid for out of the proceeds of the Bonds shall be paid by the Trustee solely from the Project Fund, and the Corporation and the City by the Lease authorize and direct the Trustee to make such disbursements from the Project Fund upon receipt by the Trustee of certificates signed by the appropriate City Representative and the Corporation Representative in the form of the certificate attached to the Indenture.

Payment for Equipment. The parties agree that certain furnishings and equipment will be necessary in the acquisitions, construction, renovations, equipping, furnishing, and installation of the Project, and the City by the Lease agrees to purchase the same. Except as provided in Section 5.6 of the Lease, such purchases shall be made solely from the Project Fund, and the Corporation and the City by the Lease authorize and direct the Trustee to pay for, such items of furnishings and equipment (and any installation costs thereof) with respect to the Project from the Project Fund, upon receipt by the Trustee of a certificate signed by the City Representative and the Corporation Representative in the form of the certificate attached to the Indenture. The City shall not substitute, sell, assign, release, or dispose of any furnishings or equipment funded from the proceeds of the Bonds and having a market value in excess of $50,000 without the consent of the Credit Provider.

Payment of Other Costs of the Project. Except as provided in Section 5.6 of the Lease, the Corporation agrees to pay for, but solely from the Project Fund, and the Corporation and the City by the Lease authorize and direct the Trustee to pay for, but from the Project Fund, all other Costs of the Project upon receipt by the Trustee of a certificate signed by an appropriate City Representative and the Corporation Representative in the form of the certificate attached to the Indenture.

Deficiency of the Project Fund. In the event the aggregate amount of Costs of the Project exceeds the sum of the amount of funds in the Project Fund plus other moneys contributed by the City and available for construction of the Project, the Project shall be modified by the City pursuant to the provisions of the Lease to include only those components which can be completed with the aforesaid amounts; provided, that, if the Project Fund shall be insufficient to pay all Costs of the Project and to complete the Project, as it may be modified, free of liens, the City shall pay, but only from legally available funds, in cash, subject to the provisions of Section 3.2 and as Additional Rentals, the full amount of any such deficiency by making payments therefor directly to the supplier of materials and services as the same shall become due, and the City shall hold the Corporation harmless from any obligation to pay such deficiency; provided that the City's obligation to pay such deficiency shall be limited to its current budgeted appropriations for the Project and the City shall have no obligation to appropriate additional funds therefor.

Establishment of Completion Date. Subject to the provisions of Section 504 of the Indenture, the Completion Date for the Project shall be evidenced to the Trustee by a certificate signed by the City Representative setting forth the Completion Date and stating that, except for amounts retained by the Trustee at the direction of the City Representative to pay any Costs of the Project not then due and payable, (i) the acquisition, construction, renovation, equipping, furnishing, and improvement of the Project has been completed substantially in accordance with the Plans and Specifications and all labor, services, materials, and supplies used in such acquisition, construction, renovation, equipping, furnishing, and improvement have been paid for, and (ii) all other facilities necessary in connection with the Project have been acquired, constructed, renovated, equipped, furnished, and improved in accordance with the Plans and Specifications therefore, and all costs and expenses incurred in connection therewith have been paid.

Mechanic's Liens. The City shall not do or suffer anything to be done whereby the Leased Property, or any part thereof, may be encumbered by any mechanics' lien or any similar lien. Whenever and as often as any such lien is filed against the Leased Property, or any part thereof, purporting to be for or on account of any labor done or materials or services in connection with any work in or about the Leased Property, or any part thereof, the City shall discharge the same of record within 60 days after the date of filing. The City, notwithstanding the foregoing, shall have the right to contest any such mechanics' lien or any similar lien if and provided that the City (i) within the 60-day period stated above notifies the Trustee in writing of the City's intention to do so, (ii) diligently prosecutes such contest, (iii) at all times effectively stays or prevents any official or judicial sale of the Leased Property, or any part thereof or interest therein, under execution or otherwise, (iv) promptly pays or otherwise satisfies any final judgment adjudging or enforcing such contested lien claim, and (v) thereafter promptly procures record release or satisfaction thereof.

Notwithstanding the foregoing, if the Trustee shall notify the City in writing that, in the opinion of the Trustee's legal counsel, by nonpayment of any of the foregoing items the Leased Property, or any substantial portion thereof, will be subject to imminent loss or forfeiture, then the City shall promptly pay all such unpaid items and cause them to be satisfied and discharged.

Impositions. The City shall, subject to the provisions of Section 3.2 of the Lease, 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 Leased Property, or any part thereof, or the Corporation's or the City's interest therein, or the income therefrom or Rentals and other amounts payable under the Lease, 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 encumber the City's title to the Leased Property, or any part thereof (all of the foregoing being in the Lease referred to as "Impositions").

Contest of Impositions. The City shall have the right, in the City's name or in the Corporation's name, to contest the validity or amount of any Imposition which the City is required to bear, pay, and discharge pursuant to the terms of the Lease by appropriate legal proceedings instituted at least 10 days before such contested Imposition becomes delinquent and may permit such contested Imposition to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation or the Trustee shall notify the City that, in the opinion of Counsel, by nonpayment of any such items the interest of the Corporation in the Leased Property, or any part thereof, will be materially endangered or the Leased Property, or any part thereof, will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments, or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Trustee.

Liability Insurance. The City shall, under the City's customary insurance practices (which may include self-insurance subject to availability of appropriation therefor) or otherwise, take such measures as may be necessary to insure against liability for injuries to or disability or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Leased Property or any part thereof during the term of the Lease. The net proceeds of all such self-insurance or other insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid. It is understood that this insurance covers any and all liability of the City and its officers, employees, and agents.

Property Insurance. The City shall maintain an insurance policy on (or, with the consent the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, self insure) the Leased Property in an amount at least equal to the principal amount of Bonds Outstanding against loss included in all risk insurance policies then in use in the State, including earthquake coverage, if the Leased Property is in an earthquake zone. Any such insurance may be subject to reasonable deductibles.

All insurance policies shall name the Corporation or its assignee as an insured or loss payee. Insurance proceeds shall be payable to the City and the Corporation as their interests appear. No insurance policy may be cancelled or modified absent prior written notification of at least 30 days to the Corporation.

The net proceeds of any such insurance, whether from the City's self-insurance program or otherwise, shall be applied as provided in Article XI of the Lease.

Workers' Compensation Insurance. The City agrees throughout the Lease Term to maintain, in connection with the Leased 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 Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, similar reasonable and customary insurance.

Title Insurance. The City shall provide a leasehold loan policy of title insurance insuring the Trustee's interest in the Leased Property pursuant to the Base Lease in an amount not less than the aggregate principal amount of Bonds then Outstanding. Such policy shall contain the following endorsements: comprehensive endorsement, and any additional endorsements reasonably required by the Trustee. Such policy shall be issued by an insurer as, and shall be in such form as, approved by the Trustee.

Flood Insurance. The City shall maintain flood insurance in an amount not less than the aggregate principal amount of Bonds then Outstanding, unless the Leased Property is determined not to be located in an area designated by the Department of Housing and Urban Development as having special flood hazards.

Assignment, Etc., by the Corporation. Pursuant to the Granting Clauses of the Indenture, the Corporation is concurrently assigning the Lease and all the rights and interests of the Corporation under the Lease, including pledging and granting a security interest in all moneys receivable under the Lease (except for payments under Section 4.2(f) and Section 4.2(h) of the Lease and its rights to indemnification under the Lease) and in the Leased Property to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds. The City consents to such assignment of the Lease and the Rentals and such Additional Rentals receivable under the Lease and by the Lease agrees that, subject to Section 3.2 of the Lease, as to the Trustee, its obligation to make such payments shall be absolute and unconditional and without any defense or right of abatement, diminution, counterclaim, or set-off arising out of any breach by the Corporation or the Trustee of any obligation to the City.

Assignment, Subleasing, and Licensing by the City. The Lease may not be assigned by the City without the prior written consent of the Corporation, the Trustee, and the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement. However, the Leased Property may be subleased by the City, in whole or in part, without such consent, subject, however, to each of the conditions set forth in the Lease:

The City may grant licenses to use all or any portion of the Leased Property in the normal course of business without the consent of the Corporation.

Maintenance, Repairs, and Modifications. The City shall, at its own expense, maintain, preserve, and keep the Leased Property in good repair and condition, and shall from time to time make all repairs, replacements, and improvements necessary to keep the Leased Property in such condition. The Corporation shall have no responsibility for any of these repairs, replacements, or improvements. In addition, the City shall, at its own expense, have the right to make additions, modifications, and improvements to the Leased 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 Leased Property. Such additions, modifications, and improvements shall not in any way damage the Leased Property nor cause it to be used for purposes other than those authorized under the provisions of municipal, State, and federal law; and the Leased Property upon completion of any additions, modifications, and improvements made pursuant to this Section, 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. Any property for which a substitution or replacement is made pursuant to Section 9.1 may be disposed of by the City in such manner and on such terms as are determined by the City.

Liens. Except as provided in Section 5.9 of the Lease, the City shall not, directly or indirectly, create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or claim on or with respect to the Leased Property or any part thereof (except for Permitted Encumbrances), other than the respective rights of the Corporation, the City, and the Trustee as provided in the Lease and in the Base Lease and the Leasehold Deed of Trust, provided if any such lien is established the City shall notify the Corporation, the Trustee, and the Credit Provider of the City's intention to do so. The City shall have the right in its own name or in the Corporation's name to contest the validity or amount of any lien which the City is required to discharge and may permit the lien so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation or the Trustee shall notify the City that, in the opinion of nationally recognized counsel experienced in the area of real estate acceptable to the party sending the notice, by nonpayment of any such items the interest of the Corporation in the Leased Property will be materially endangered or the Leased Property will be subject to loss or forfeiture in which event the City shall promptly discharge such lien. Except as expressly provided in this Article or Article VI, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance, or claim if the same shall arise at any time.

Additional Improvements on the Leased Property. The City shall have and is by the Lease given the right, at its sole cost and expense, to construct on portions of the Leased Property not theretofore occupied by buildings or improvements such additional buildings and improvements as the City from time to time may deem necessary or desirable for its governmental purposes. All additional buildings and improvements constructed on the Leased Property by the City pursuant to the authority of this Section shall, during the term of the Lease, remain the property of the City, and the City may add to, alter, or raze and remove the same at any time. The City covenants and agrees (a) to make any repairs and restorations required to be made to the Leased Property because of the construction of, addition to, alteration, or removal of said additional buildings or improvements, (b) to keep and maintain said additional buildings and improvements in good condition and repair, ordinary wear and tear excepted, and (c) to promptly and with due diligence either raze and remove from the Leased Property in a good workmanlike manner, or repair, replace, or restore any of said additional buildings and improvements as may from time to time be damaged by fire or other casualty.

The City shall not do or permit others under its control to do any work on the Leased Property related to any repair, rebuilding, restoration, replacement, modification, improvement, or addition to the Leased Property, or any part thereof, unless all requisite municipal and other governmental permits and authorizations shall have been first procured and payment therefor made. All such work shall be done in a good and workmanlike manner and in compliance with all applicable building, zoning, and other laws, ordinances, governmental regulations, and requirements and in accordance with the requirements, rules, and regulations of all insurers under the policies required to be carried under the provisions of the Lease.

Environmental Matters. The City shall not cause or permit the Leased Property or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce, or process Hazardous Materials, except in the ordinary course of the operation of the City's business and in compliance with all Environmental Laws, nor shall the City cause or permit, as a result of any intentional or unintentional act or omission on the part of the City or any tenant or subtenant, a release of Hazardous Materials onto the Leased Property. The City shall comply with and ensure compliance by all tenants and subtenants with all Environmental Laws, and shall obtain and comply with, and ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations, or permits required thereunder. The City shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials, on, from, or affecting the Leased Property that are above acceptable levels set by the governmental agency having jurisdiction (A) in accordance with all Environmental Laws, (B) to the reasonable satisfaction of the Trustee, and (C) in accordance with the orders and directives of all federal, State, and local governmental authorities having jurisdiction. In the event that the Trustee elects to control, operate, sell, or otherwise claim property rights in the Leased Property, the City shall deliver the Leased Property free of any and all Hazardous Materials above acceptable levels set by the governmental agency having jurisdiction so that the conditions of the Leased Property shall conform with all Environmental Laws. Prior to any such delivery of the Leased Property, the City shall pay the Trustee, subject to annual appropriation, from its own funds, any amounts then required to be paid under the Lease.

City's Option to Purchase Corporation's Interest. The City shall have the option to purchase the Corporation's leasehold interest in the Leased Property and to terminate the Base Lease and the Lease at any time during the Base Lease Term (subject to the requirements of the following provisions of this subsection (a)) upon payment of the purchase price pursuant to Section 10.2 of the Lease. Except as otherwise provided in this Section, the City shall give at least sixty (60) days written notice to the Corporation and the Trustee and the Credit Provider of its intent to exercise the option and so terminate the Lease. Payment of the purchase price pursuant to Section 10.2 shall constitute exercise of the option granted under the Lease without further action by the City.

If the City receives notice of an Event of Default pursuant to the Lease or to the Indenture or if an Event of Non-Appropriation has occurred, the City shall also have the option to purchase the Corporation's leasehold interest in the Leased Property under the Base Lease and to terminate the Lease upon payment of the purchase price. The City shall give notice of its intent to exercise the option provided for by giving notice thereof to the Corporation and the Trustee not later than 90 days after receipt of notice of any such Event of Default or Event of Non-Appropriation. 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 and the Trustee.

Purchase Price. The purchase price payable by the City in the event of its exercise of either of the options granted above shall be the sum of the following: (a) an amount of money which, when added to the amounts on deposit in the Debt Service Fund and the Debt Service Reserve Fund will be sufficient to pay in full the Bonds then Outstanding or provide for their payment as provided in Article XIII of the Indenture; plus (b) an amount of money equal to the Trustee's and Paying Agents' fees and expenses under the Indenture, accrued and to accrue until such redemption of the Bonds; plus (c) an amount equal to all of the obligations of the City and the Corporation under the Tax Compliance Agreement; plus (d) reasonable costs incident to the redemption of the Bonds; plus (e) all other Additional Rentals obligations incurred by the City through the date of the purchase; plus (f) the sum of $10.00.

Relative Position of Option, Indenture, and Leasehold Deed of Trust. The option granted to the City shall remain prior and superior to the Indenture but subordinate to the Leasehold Deed of Trust and may be exercised whether or not the City is in Default under the Lease, provided that such Default will not result in non-fulfillment of any condition to the exercise of any such option and further provided that all options in the Lease granted shall terminate 90 days following the termination of the Lease.

Damage, Destruction, and Condemnation. Unless the City shall have exercised its option to purchase the Corporation's interest under the Base Lease and terminate the Lease, if (i) all the Leased Property is destroyed or is damaged by fire or other casualty or (ii) title to or the temporary use of the Leased Property or the interest of the City or the Corporation in the Leased 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, cause the net proceeds of any insurance or condemnation award to be applied to the prompt repair, restoration, modification, or improvement of the Leased 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 Leased Property shall be transferred and used in accordance with Section 501 of the Indenture.

If the City determines that the repair, restoration, modification, or improvement of the Leased 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 Debt Service Fund to be applied to the payment of the Outstanding Bonds called for redemption; (ii) shall be used to pay the fees and expenses of the Corporation and the Trustee, together with all other amounts due under the Indenture and under the Lease as provided in the Lease, and (iii) shall be used to pay all amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Compliance Agreement.

If insurance or condemnation proceeds with respect to the Leased Property in excess of $200,000 (or such higher threshold to which the Credit Provider, if any, shall agree) are received, such proceeds shall be applied to replacement or restoration of the affected property or to redemption of the Bonds; provided, however, that unless all Outstanding Bonds are to be redeemed from such amount, the prior written consent of the Credit Provider, if any, shall be required for any such redemption.

Insufficiency of Net Proceeds. If the net proceeds are insufficient to pay in full the cost of any repair, restoration, modification, or improvement of the Leased 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 of the Lease, the City shall not be entitled to any reimbursement therefor from the Corporation or any diminution of any amount payable under the Lease.

Event of Non-Appropriation.

(a) Except as provided in subsection (b) below, in the event that the Board of Aldermen does not budget and appropriate, specifically with respect to the Lease, on or before June 30 (or any other date later adopted by the City as the end of its Fiscal Year) of each year, moneys sufficient to pay all Rentals and the reasonably estimated Additional Rentals coming due for the next succeeding Fiscal Year, an Event of Non-Appropriation shall be deemed to have occurred.

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

If an Event of Non-Appropriation shall occur, the City shall not be obligated to make payment of the Rentals or Additional Rentals or any other payment provided for in the Lease 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; 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 Leased Property. Upon the occurrence of an Event of Non-Appropriation, the Trustee shall, for the benefit of Bondholders and the Credit Provider, have all rights and remedies granted to it under the Indenture and as a secured creditor under State law and shall be further entitled to all monies then on hand in all funds and accounts created under the Indenture, other than monies in the Rebate Fund, which shall be used solely as provided in the Indenture and the Tax Compliance Agreement. All property, funds, and rights acquired by the Trustee upon the termination of the Lease as to the City's possessory interest under the Lease by reason of an Event of Non-Appropriation as provided in the Lease shall be held by the Trustee under the Indenture for the benefit of the Credit Provider and Bondholders as set forth in the Indenture, until the Bonds are paid in full.

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

Termination of Lease Term. The Lease Term shall terminate as to the City, including the City's right to possession of the Leased Property, upon the earliest of the occurrence of any of the following events: (i) the last day of the Fiscal Year for which Rentals or Additional Rentals were appropriated; (ii) there occurs an Event of Default by the City under the Lease if the Corporation or the Trustee elects such remedy pursuant to the Lease; (iii) the date upon which all Rentals and Additional Rentals required under the Lease shall be paid by the City, or (iv) discharge of the Indenture as provided in the Indenture.

Events of Default Defined. The following shall be "Events of Default" under the Lease and the terms "Events of Default" and "Default" shall mean, whenever they are used in the Lease, any one or more of the following events:

(a) Failure by the City to pay any Rentals or Additional Rentals in the amounts and at the times specified in the Lease.

(b) Failure by the City to observe and perform any covenant, condition, or agreement on its part to be observed or performed under the Lease, other than as referred to in subsection (a) of this Section, which is not remedied within thirty (30) days after receipt by the City of written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, the Trustee, or the Credit Provider, unless the Trustee and Credit Provider shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, but is capable of being corrected within a reasonable period of time, neither the Trustee or the Credit Provider will unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the failure is corrected.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment, or attachment of such consequence as would impair the ability of the City to carry on its operation, or adjudication of the City as bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings whether voluntary or involuntary instituted under the provisions of the federal bankruptcy laws, as amended, or under any similar acts which may hereafter be enacted.

(d) Failure by the City to immediately vacate the Leased Property upon the request of the Trustee after an Event of Non-Appropriation occurs.

(e) The City shall vacate or abandon the Leased Property, and the same shall remain uncared for and unoccupied for a period of 60 consecutive days.

The provisions of this Section are subject to the following limitations: if by reason of force majeure the City is unable in whole or in part to carry out its obligations under the Lease, other than its obligation to pay Rentals or Additional Rentals with respect thereto, the City shall not be deemed in default under the continuance of such inability, provided notice thereof is given to the Corporation and the Trustee. The term “force majeure” as used in the Lease shall mean, without limitation, the following acts of God: strikes, lockouts, or other industrial disturbances; acts of public enemies including acts of terrorism whether foreign or domestic; orders or restraints of any kind of the government of the United States of America, the State, or their respective departments, agencies, or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes, or canals; or any other cause or event not reasonably within the control of the City and not resulting from its negligence. The City agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the City from carrying out its agreement; provided that the settlement of strikes, lockouts, and other industrial disturbances shall be entirely within the discretion of the City and the City shall not be required to make settlement of strikes, lockouts, and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to the City.

Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee, or the Corporation upon the direction of the Trustee, with the prior consent of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall have the right, at its option and without any further demand or notice, to take, and shall take upon the prior written direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, any one or more of the following remedial steps:

(a) By written notice to the City declare all Rentals and Additional Rentals for the Fiscal Year in which the Event of Default occurred to be immediately due and payable and such Rentals and Additional Rentals shall thereupon become immediately due and payable; or

(b) Give the City written notice of intention to terminate the Lease 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 Leased Property shall cease and the Lease shall thereupon be terminated, and the Corporation may reenter and take possession of the Leased Property; or

(c) With or without terminating the Lease, take possession of the Leased Property, in which event the City shall vacate the Leased Property and take all actions necessary to authorize, execute, and deliver to the Corporation all documents necessary to vest in the Corporation for the remainder of the Lease Term, all of the City's leasehold interest in and to the Leased Property, sell the Corporation's (or its assignee's) interest in the Base Lease, or lease the Leased Property and collect the rentals therefor, for all or any portion of the remainder of its leasehold term upon such terms and conditions as it may deem satisfactory in its sole discretion with the City remaining liable, subject to the provisions of Section 3.2 of the Lease, for any difference between (i) the Rentals and Additional Rentals payable by the City under the Lease during the Lease Term, and (ii) the net proceeds or any purchase price, rents, or other amounts paid by the new purchaser, lessee, or sublessee of the Leased Property, and; provided further, that, in such event, if the Corporation shall receive a payment for sale of its interest or total sub-rentals for sublease that are, after payment of the Corporation's expenses in connection therewith, in excess of the purchase price applicable under Section 10.2 of the Lease at the time of default, plus interest thereon at the interest rate per annum borne by the Bonds, then such excess shall be paid to the City either by the Corporation, its assigns, or its sublessee; or

(d) Without terminating the Lease, reenter the Leased 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 Leased Property without terminating the Lease, the Corporation shall use reasonable diligence to relet the Leased 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 Leased Property, and no such reentry or taking of possession of the Leased Property by the Corporation shall be construed as an election on the Corporation's part to terminate the Lease, and no such reentry or taking of possession by the Corporation shall, subject to the provisions of Section 3.2 hereof, relieve the City of its obligation to pay Rentals or Additional Rentals (at the time or times provided in the Lease), or of any of its other obligations under the Lease, all of which shall survive such reentry or taking of possession, and the City shall continue to pay the Rentals and Additional Rentals specified in the Lease until the end of the Lease Term, whether or not the Leased Property shall have been relet, less the net proceeds, if any, of any reletting of the Leased 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 Debt Service Fund and shall be applied as provided in the Indenture.

Having elected to reenter or take possession of the Leased Property without terminating the Lease, the Corporation may (subject to any restrictions in the Indenture against termination of the Lease), by notice to the City given at any time thereafter while the City is in Default in the payment of Rentals or Additional Rentals or in the performance of any other obligation under the Lease, elect to terminate the Lease on a date to be specified in such notice, which date shall be not earlier than 30 days after reentry under subparagraph (c) above, and if all Defaults shall not have been cured, on the date so specified the Lease shall thereupon be terminated. If in accordance with any of the foregoing provisions of this Article, the Corporation shall have the right to elect to reenter and take possession of the Leased Property, the Corporation may enter and expel the City and those claiming through or under the City and remove the property and effects of both or either without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or for preceding breach of covenant. The Corporation may take whatever action at law or in equity which may appear necessary or desirable to collect rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant of the City under the Lease, or any right of the Corporation pursuant to this subsection.

(e) Take whatever action at law or in equity as may appear necessary or desirable to collect the Rentals and Additional Rentals then due and thereafter to become due during the Term of the Lease, or enforce performance and observance of any obligation, agreement, or covenant of the City under the Lease.

Limitations on Remedies. A judgment requiring a payment of money may be entered against the City by reason of an Event of Non-Appropriation only to the extent that the City fails to vacate the Leased Property as required by the Lease and only as to the following liabilities: (a) the portion of Rentals and Additional Rentals which would otherwise have been payable under the Lease, allocable to any period in which the City continues to occupy the Leased Property; and (b) Rentals, Additional Rentals, or other obligations under the Lease which would otherwise have been payable by the City under the Lease subsequent to termination of the Lease.

Rights and Remedies Cumulative. The rights and remedies reserved by the Corporation and the City under the Lease and those provided by law shall be construed as cumulative and continuing rights. No one of them shall be exhausted by the exercise thereof on one or more occasions. The Corporation and the City shall each be entitled to specific performance and injunctive or other equitable relief for any breach or threatened breach of any of the provisions of the Lease, notwithstanding availability of an adequate remedy at law, and each party by the Lease waives the right to raise such defense in any proceeding in equity.

No Remedy Exclusive. No remedy in the Lease conferred upon or reserved to the Corporation or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Amendments. Except as otherwise provided in the Lease, the Base Lease, the Leasehold 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 Lease may not be effectively amended, changed, modified, altered, or terminated without the concurring written consent of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, and the Trustee, given in accordance with the provisions of the Indenture.

Net Lease. The parties agree (a) that the Lease is intended to be a net lease, (b) that the payments of Rentals and Additional Rentals are designed to provide the Corporation and the Trustee funds adequate in amount to pay all principal of and interest and any redemption premiums accruing on the Bonds as the same become due and payable, (c) that to the extent that the payments of Rentals and Additional Rentals are not sufficient to provide the Corporation and the Trustee with funds sufficient for the purposes aforesaid, the City, subject to the provisions of Section 3.2 of the Lease, shall be obligated to pay, and it does by the Lease covenant and agree to pay, upon demand therefor, as Additional Rentals, such further sums of money, in cash, as may from time to time be required for such purposes, and (d) that if, after all of the Bonds are deemed to be paid in accordance with the Indenture and provision has been made for payment of all other sums payable under the Indenture in accordance therewith, the Trustee or the Corporation holds unexpended funds received in accordance with the terms of the Lease, such unexpended funds shall, after payment therefrom of all sums then due and owing by the City under the terms of the Lease and the Indenture, and except as otherwise provided in the Lease and the Indenture, become the absolute property of and be paid over forthwith to the City free and clear of the lien of the Indenture.

SUMMARY OF LEASEHOLD DEED OF TRUST,
SECURITY AGREEMENT, AND FIXTURE FILING

The following is a summary of certain provisions of the Leasehold Deed of Trust, Security Agreement, and Fixture Filing, dated as of July 1, 2007, by the Corporation (the *"Leasehold Deed of Trust"*). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Indenture, a copy of which is available from the Corporation.

Granting Clauses. The Corporation pursuant to the Leasehold Deed of Trust does GRANT, BARGAIN, SELL, CONVEY, CONFIRM, ASSIGN, TRANSFER, AND SET OVER unto Victor Zarrilli, as trustee under the Leasehold Deed of Trust, (the "*Trustee"*), his successors and assigns, IN TRUST, forever, and does grant a lien on and a security interest in, all of the Corporation's right to and interest in the following items to the Trustee and UMB BANK, N.A., as bond trustee under the Indenture (the *"Beneficiary"*), whether now or hereafter acquired: (1) the Corporation's leasehold interest in the Leased Property described in Exhibit A (*"Leasehold Estate"*) under the Base Lease, a memorandum of which was recorded in the Recorder's office of the City, (2) all leases, subleases, licenses, concessions, occupancy agreements, or other agreements (written or oral, now or at any time in effect) which grant a possessory interest in, or the right to use, all or any part of the Mortgaged Property, as defined in the Leasehold Deed of Trust below, together with all related security and other deposits (the *"Subleases"*), (3) all of the rents, revenues, income, proceeds, profits, security, and other types of deposits, and other benefits paid or payable by parties to the Subleases (other than the Corporation) under the Subleases, (4) all accessions, replacements, and substitutions for any of the foregoing and all proceeds thereof, (5) all insurance policies, unearned premiums therefor, and proceeds from such policies covering any of the above property now or hereafter acquired by the Corporation, and (6) all of the Corporation's right to and interest in any awards, remunerations, reimbursements, settlements, or compensation heretofore made or hereafter to be made by any governmental authority pertaining to the Mortgaged Property. As used in the Leasehold Deed of Trust, the term *"Mortgaged Property"* shall mean all or, where the context permits or requires, any portion of the above or any interest therein.

Due on Sale or Encumbrance. The Corporation will not, without the prior written consent of the Beneficiary, transfer, convey, or otherwise part with its right to or interest in any of the Mortgaged Property, or any portion thereof, or create or permit or allow to exist or to be created any mortgage, deed of trust, pledge, or other lien or encumbrance on any of the Mortgaged Property, other than the Leasehold Deed of Trust, the Base Lease, the Lease, and any other Permitted Encumbrances (as defined in the Indenture), and, except as provided in the Lease, the Corporation will not suffer or permit any mechanic's or materialmen's lien or any other lien of any nature whatsoever to attach to any of the Mortgaged Property or to remain outstanding against the same or any part thereof; provided, however, the Corporation shall pay the amounts resulting in such liens or otherwise bond over such liens by depositing with the Beneficiary an amount that is sufficient in the Beneficiary's reasonable judgment to pay in full such contested amount and all penalties and interest that might become due thereon. In the event the Corporation fails to prosecute such contested lien in good faith and with reasonable diligence, the Beneficiary may apply the monies deposited with the Beneficiary in payment of or on account of such contested lien. If the amount deposited with the Beneficiary is insufficient for the payment in full of such contested lien, the Corporation shall, upon demand, deposit with the Beneficiary a sum sufficient to make such payment in full. If the Corporation satisfies any contested lien, the Beneficiary will return to the Corporation any funds deposited by the Corporation with the Beneficiary.

Insurance. The Corporation agrees to, at all times, comply or cause the City to comply with the provisions of the Lease relating to maintenance of insurance.

In the event the Corporation shall fail to maintain or cause to be maintained the full insurance coverage required by the Leasehold Deed of Trust or shall fail to keep the Mortgaged Property in good repair and operating condition, the Trustee or the Beneficiary may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefore shall become an additional obligation of the Corporation, which amounts, together with interest thereon from the date of payment by such party at the rate of 2% per annum over and above the interest rate announced from time to time by the Beneficiary as its "prime rate" on commercial loans (or such lower maximum amount permitted by law), the Corporation agrees to pay on demand to the party advancing same.

Repairs. The Corporation will, or will cause the City to, at all times keep and maintain the Mortgaged Property and every part thereof in good order, repair, and condition, without any liability of the Trustee or the Beneficiary to any person for damage for failure to repair or for any other cause, and the Corporation will promptly, or will cause the City to, make all needed and proper repairs, restorations, renewals, and replacements thereof, so that at all times the value of the Mortgaged Property and every part thereof shall be fully preserved and maintained, and the Corporation will not cause or permit any waste on or of the Mortgaged Property or otherwise allow the Mortgaged Property, or any part thereof, to depreciate in value by any act or neglect.

Compliance. The Corporation will not use or suffer or permit to be used the Mortgaged Property or any part thereof in any manner inconsistent with the rights of the Trustee or the Beneficiary under the Leasehold Deed of Trust, or in violation of the provisions of any insurance policy or any rules or regulations of insurance underwriters.

Condemnation. In the event the Mortgaged Property, or any part thereof, be taken through condemnation proceedings or by virtue of the exercise of the right of eminent domain or pursuant to governmental action, any and all amounts awarded in any such condemnation proceeding for the taking of the Mortgaged Property, or any part thereof, shall be applied as provided in the Lease. The Corporation shall give the Beneficiary immediate notice, in writing, of the actual or threatened commencement of any condemnation or eminent domain proceeding affecting all or any portion of the Mortgaged Property.

Taxes. The Corporation covenants and agrees to pay or cause the City to pay any and all taxes, assessments, liens, and other charges that may be levied or assessed against the Mortgaged Property, or any part thereof, prior to the time the same shall become delinquent. Within thirty (30) days of receipt of written request of the Beneficiary, the Corporation shall promptly provide Beneficiary with proof of payment of such amounts.

Cure Payments. If the Corporation shall fail to pay or cause to be paid any tax, assessment, lien, or other charge levied or assessed against the Mortgaged Property, or any part thereof, or shall fail to keep and perform any of the covenants and conditions contained in the Leasehold Deed of Trust, the Trustee or the Beneficiary shall be privileged, but shall not be obligated, to pay any such tax, assessment, lien, rent, or other charge, to redeem such property from any sale or foreclosure for taxes or assessments or liens, to effect and pay for insurance required under the Leasehold Deed of Trust, to perform or pay for any other obligations, and to make such other disbursements as are necessary or advisable in the opinion of the Trustee or the Beneficiary to cure any default of the Corporation under the Leasehold Deed of Trust or protect the lien or the rights of the Trustee and the Beneficiary under the Leasehold Deed of Trust; any and all such sums of money advanced for such purposes by the Trustee or the Beneficiary shall be deemed additional Indebtedness secured by the Leasehold Deed of Trust and shall be payable on demand with interest accruing from the time so advanced at the rate of 2% per annum over and above the interest rate announced from time to time by the Beneficiary as its "prime rate" on commercial loans (or such lower maximum amount permitted by law), and failure on the part of the Corporation to repay the amounts so advanced on demand shall constitute an Event of Default under the Leasehold Deed of Trust; provided, however, nothing in the Leasehold Deed of Trust contained shall be construed as requiring the Trustee or the Beneficiary to effect such insurance or to advance or expend money or take any action for any of the purposes aforesaid.

Compliance with Laws. The Corporation shall, and shall cause the City to: (i) comply with all statutes, ordinances, regulations, rules, orders, decrees, and other requirements relating to the Mortgaged Property, or any part thereof, by any federal, State, or local authority, including, without limitation, the Americans with Disabilities Act of 1990, as amended, and (ii) observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including, without limitation, zoning variances, special exceptions, and nonconforming uses), privileges, franchises, and concessions that are applicable to the Mortgaged Property or that have been granted to or contracted for by the Corporation in connection with any existing or presently contemplated use of the Mortgaged Property or any part thereof. The Corporation shall not initiate or acquiesce in any changes to or termination of any of the foregoing or of zoning design actions affecting the use of the Mortgaged Property or any part thereof without the prior written consent of the Beneficiary.

Inspection of Property. The Corporation shall, and shall cause the City to, permit Beneficiary and the Trustee and their representatives and agents to inspect the Mortgaged Property from time to time upon reasonable prior telephonic notice during normal business hours and as frequently as Beneficiary considers reasonable, subject to the provisions of the Base Lease.

Utilities. The Corporation will, or will cause the City to, pay all utility charges incurred in connection with the Mortgaged Property, and shall maintain all utility services now or hereafter available for use at the Mortgaged Property.

Environmental Notice. If the Corporation receives any Environmental Notice (as defined in the Indenture), the Corporation shall, within seven (7) days, give notice thereof to the Beneficiary. The Corporation assumes all obligations of compliance with all Environmental Laws (as defined in the Indenture) that affect the Mortgaged Property or any business or other activity conducted thereon or in connection therewith.

Security Agreement; Fixture Filing. To secure the Indebtedness, the Corporation also grants to Beneficiary a security interest in all goods and equipment now owned or hereafter acquired by the Corporation that are intended to be used or are actually used as part of the Mortgaged Property so as to become fixtures, and all replacements thereof, substitutions therefor, and accessions thereto and cash and non-cash proceeds thereof (the "Personal Property Collateral"). The Personal Property Collateral and the Mortgaged Property are collectively referred to in the Leasehold Deed of Trust as the "Collateral." The Leasehold Deed of Trust constitutes a "security agreement" and a "fixture filing" as those terms are used in Article 9 of the UCC in effect in the jurisdiction where the Leased Property is located.

Future Advances. The Leasehold Deed of Trust is to be governed by Section 443.055 of the Revised Statutes of Missouri and secures future advances, including Additional Bonds, issued under the Indenture, in an amount not to exceed Fifty-Three Million and 00/100 Dollars ($53,000,000). In the event the Beneficiary shall receive a notice pursuant to Section 443.055 of the Revised Statutes of Missouri, as amended, terminating the Leasehold Deed of Trust as security for future advances for future obligations made or incurred after the date of such notice, then upon receipt of such notice, the Beneficiary shall have no further obligation under any document evidencing, securing, or related to the Indebtedness secured by the Leasehold Deed of Trust notwithstanding anything to the contrary in any such document.

Events of Default; Remedies. In the event any one or more of the following events (each an "Event of Default") shall occur: (a) if default shall be made in the payment of any of the Indebtedness secured by the Leasehold Deed of Trust, or any interest thereon, as and when the same shall become due and payable after the expiration of all applicable cure periods, whether by reason of demand, acceleration or otherwise; (b) if the Corporation's interest in the Mortgaged Property shall pass by operation of law as the result of any creditor's action, suit, or proceeding; (c) if the Mortgaged Property or any portion thereof or ownership interest therein is sold, transferred, assigned, or in any manner conveyed without the prior written consent of the Beneficiary, except as provided in the Leasehold Deed of Trust; (d) if an Event of Default occurs under the Indenture after giving effect to all applicable cure periods (if any); or (e) if default shall be made by the Corporation in the due performance or observance of any covenant, agreement, or condition in the Leasehold Deed of Trust contained or in the Leasehold Deed of Trust required to be performed or observed by the Corporation with respect to the Bonds (other than those set forth at clauses (a) - (c) in the Leasehold Deed of Trust), and such default shall continue for a period of ten (10) days after the date of the mailing of a written notice addressed to the Corporation at the address in the Leasehold Deed of Trust set forth, or to such other address as may be designated by the Corporation in written notice delivered to Beneficiary;

THEN, AND IN EACH AND EVERY SUCH EVENT: (1) all of the Indebtedness then outstanding and unpaid and all accrued and unpaid interest thereon shall, at the option of the Beneficiary to be exercised upon the direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, become and be due and payable immediately, anything in the Leasehold Deed of Trust to the contrary notwithstanding; (2) upon demand of the Trustee or the Beneficiary made upon the direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, the Corporation shall forthwith surrender to Beneficiary the actual possession of all of the Mortgaged Property and it shall be lawful (whether or not the Corporation has so surrendered possession) for Beneficiary, either personally or by agents or attorneys, forthwith to enter into or upon the Mortgaged Property and to exclude the Corporation, the agents, and servants of the Corporation, and all parties claiming by, through or under the Corporation, including the City, wholly therefrom, and the Beneficiary shall thereupon be solely and exclusively entitled to possession of said Mortgaged Property and every part thereof, and to use, operate, manage, and control the same, either personally or by managers, agents, servants, or attorneys, for the benefit of the Owners of the Bonds to the fullest extent authorized by law; and upon every such entry, the Beneficiary may, from time to time, at the expense of the Corporation, make all necessary and proper repairs and replacements to the Mortgaged Property as Beneficiary in its discretion sees fit, and any amounts so expended shall be due on demand, bear interest at the rate of 2% per annum over and above the interest rate announced from time to time by the Beneficiary as its "prime rate" on commercial loans (or such lower maximum amount permitted by law) and shall be secured by the Leasehold Deed of Trust; (3) the Trustee, at the request of the Beneficiary made upon the direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall proceed to sell either by himself or by agent or attorney, the Mortgaged Property or any part(s) thereof at public vendue or outcry at the customary place to the highest bidder for cash after first giving notice as required by the statutes of the State and upon such sale the Trustee shall receive the proceeds of such sale and shall execute and deliver a deed or deeds or other instruments of conveyance, assignment, and transfer to the property sold, to the purchaser or purchasers thereof; and (4) so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, then upon direction of the Credit Provider, the Trustee and/or Beneficiary shall (or if the Credit Provider has failed to comply with its payment obligations under the applicable Credit Enhancement, Trustee and/or Beneficiary may) proceed by suit or suits at law or in equity to enforce the Indebtedness secured by the Leasehold Deed of Trust and/or to foreclose the Leasehold Deed of Trust, and in such event the Trustee shall be entitled to a reasonable fee for his services and the Trustee and the Beneficiary shall be entitled to a reasonable fee for the services of their attorneys and agents, and for all expenses, costs, and outlays. Upon or at anytime after the filing of any suit to foreclose the lien of the Leasehold Deed of Trust, the Beneficiary shall be entitled as a matter of right to the appointment of a receiver of the Mortgaged Property, either before or after sale, without notice and without regard to the solvency or insolvency of the Corporation at the time of the application for such receiver, and without regard to the solvency or insolvency of the Corporation at the time of the application for such receiver, and without regard to then value of the Mortgaged Property, and the Trustee, or the Beneficiary, may be appointed as such receiver. Such receiver shall have all powers necessary or incidental for the protection, possession, control, management, and operation of the Mortgaged Property.

Resignation and Removal of Trustee. The Trustee may resign at any time by written instrument to that effect delivered to Beneficiary. The Beneficiary shall be entitled to remove, at any time and from time to time, including any time before, during or after the commencement or completion of any foreclosure proceeding, the Trustee. In case of the death, removal, resignation, refusal to act, or otherwise being unable to act of the Trustee, the Beneficiary shall be entitled to select and appoint a successor Trustee under the Leasehold Deed of Trust by an instrument duly executed, acknowledged and recorded in the manner and form for conveyances of real estate in the State, which recording may occur before, during or after the commencement or completion of any foreclosure proceeding, and any such successor Trustee shall thereupon succeed to the Trustee as Trustee under the Leasehold Deed of Trust and to all of the rights, powers, duties, obligations, and estate of said Trustee as if specifically named in the Leasehold Deed of Trust, provided no defect or irregularity in the resignation or removal of said Trustee or in the appointment of a successor 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 Trustee pursuant thereto. Additionally, whether the recording of the successor Trustee instrument takes place before, during, or after the commencement or completion of any foreclosure proceeding shall have no effect upon the validity of said proceeding. The Trustee shall not be disqualified from acting as Trustee under the Leasehold Deed of Trust or from performing any of the duties of the Trustee, or from exercising the rights, powers, and remedies in the Leasehold Deed of Trust granted, by reason of the fact that the Trustee is an officer, employee, or stockholder of the Beneficiary, or is interested, directly or indirectly, as the holder of any of the Indebtedness secured by the Leasehold Deed of Trust. The Corporation by the Leasehold Deed of Trust expressly consents to the Trustee acting as Trustee irrespective of the fact that the Trustee might be otherwise disqualified for any of the foregoing reasons, and that any interest which the Trustee or any successor shall have or may acquire in the Indebtedness secured by the Leasehold Deed of Trust, or the Mortgaged Property, shall neither interfere with nor prevent his acting as Trustee or from purchasing said property at said sale or sales, and all parties waive any objection to the Trustee having or acquiring any such interest in the Indebtedness or Mortgaged Property and continuing to act as Trustee. The Trustee covenants faithfully to perform and fulfill the trust in the Leasehold Deed of Trust created, but shall be liable, however, only for gross negligence or willful misconduct as determined by a court of competent jurisdiction.

No Remedy Exclusive. No remedy in the Leasehold Deed of Trust conferred upon or reserved to the Trustee or the Beneficiary is intended to be exclusive of any other remedy, but every remedy in the Leasehold Deed of Trust provided shall be cumulative, and shall be in addition to every other remedy given under the Leasehold Deed of Trust or now or hereafter existing at law or in equity, or by statute; and every power and remedy given by the Leasehold Deed of Trust to the Trustee or the Beneficiary may be exercised from time to time and as often as may be deemed expedient, and, for so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall be exercised as directed by the Credit Provider. No delay or omission by the Trustee or the Beneficiary to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any default or an acquiescence therein. In case the Trustee shall have proceeded to enforce any right under the Leasehold Deed of Trust by foreclosure, entry, or otherwise, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely, then, and in such and every such case, the Corporation and the Trustee shall severally and respectively be restored to their former positions and rights under the Leasehold Deed of Trust in respect of the Mortgaged Property, and all rights, remedies, and powers of the Trustee shall continue as though no such proceedings had been taken. If any additional sum or sums shall become due and owing, by the Corporation to Beneficiary, pursuant to the provisions of the Leasehold Deed of Trust, the affidavit of the Beneficiary shall be sufficient evidence of the fact that such additional sums are secured by the Leasehold Deed of Trust in the amount set forth in such affidavit.

Performance Under Base Lease. The Corporation shall at all times fully perform and comply with all covenants, warranties, representations, and other obligations imposed upon it as the tenant under the Base Lease or otherwise under the Base Lease and shall always keep the Base Lease in full force and effect. The Corporation shall immediately deliver to Beneficiary copies of any notices received from the Lessor. Upon any failure or alleged failure (notwithstanding that the alleged failure may be contested by the Corporation) in the performance by the Corporation of any covenant, warranty, representation, or other obligation imposed upon or assumed by it under the Base Lease, the Beneficiary shall have the absolute and immediate right to perform the same and, subject to the terms and conditions of the Base Lease, to enter upon the Mortgaged Property and to take such other actions as Beneficiary, in its sole opinion, deems necessary or desirable in order to prevent or to cure any such failure by the Corporation. All costs and expenses incurred by the Beneficiary shall be payable by the Corporation immediately upon demand, shall bear interest at the rate of 2% per annum over and above the interest rate announced from time to time by the Beneficiary as its “prime rate” on commercial loans (or such lower maximum amount permitted by law) from the date incurred until paid, and shall be secured by the lien of the Leasehold Deed of Trust.

No Change In Lease Terms. The Corporation shall not, without the Beneficiary’s prior written consent, (i) terminate, cancel, modify, or amend the Base Lease, or (ii) take or consent to the taking of any action with regard to the fee simple title to the Mortgaged Property, but rather the fee title and Leasehold Estate shall always be separate and distinct. The Corporation at all times shall (x) give the Beneficiary immediate notice of any default by any party under the Base Lease and promptly deliver to Beneficiary copies of each notice of default and all other communications, plans, specifications, and other similar instruments received or delivered by the Corporation in connection with the Base Lease, and (y) furnish to Beneficiary such information and evidence as Beneficiary may reasonably require in writing concerning the Corporation’s due observance, performance, and compliance with the terms, covenants, and provisions of the Base Lease. Any default of the Corporation under the Base Lease shall be and constitute a Default under the Leasehold Deed of Trust.

Fixture Financing Statement. From the date of its recording, the Leasehold Deed of Trust shall be effective as a fixture financing statement within the purview of Section 9-402(6) of the Code with respect to the Collateral and the goods described in the Leasehold Deed of Trust, which goods are or are to become fixtures related to the Mortgaged Property.

No Merger. So long as the Leasehold Deed of Trust is in effect, there shall be no merger of the Base Lease or any interest therein nor of the Leasehold Estate with the fee estate in the Real Property or in any portion thereof by reason of the fact that the Base Lease or such interest therein or the Leasehold Estate may be held directly or indirectly by or for the account of any person who shall hold the fee estate in the Real Property or any portion thereof. In case the Corporation acquires the Real Property or any portion thereof, the Leasehold Deed of Trust shall attach to and cover and be a lien upon the fee title or such other estate so acquired in the manner prescribed in the Leasehold Deed of Trust. The Corporation shall notify the Beneficiary of any such acquisition.

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APPENDIX E
FORM OF OPINION OF CO-BOND COUNSEL

July 12, 2007

St. Louis Municipal Finance Corporation
St. Louis, Missouri

The City of St. Louis, Missouri
St. Louis, Missouri

Bear, Stearns & Co. Inc.
as Representative of the Underwriters
New York, New York

UMB Bank, N.A., as trustee
St. Louis, Missouri

Ambac Assurance Corporation
New York, New York

Banc of America Securities LLC
as Representative of the Underwriters
St. Louis, Missouri

Re: St. Louis Municipal Finance Corporation, Recreation Sales Tax Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee), Series 2007 (the *"Series 2007 Bonds"*)

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 2007 Bonds"*) pursuant to a Resolution adopted by the Corporation on June 25, 2007 (the *"Resolution"*). In such capacity, we have examined such law and such certified proceedings and other documents and materials as we have deemed necessary to enable us to render this opinion, including the following documents:

a. Trust Indenture (the *"Indenture"*), dated as of the July 1, 2007, between the Corporation and UMB Bank, N.A., as trustee (the *"Trustee"*);

b. Lease Purchase Agreement (the *"Lease"*), dated as of July 1, 2007, between the Corporation and The City of St. Louis, Missouri (the *"City"*);

c. Leasehold Deed of Trust, Security Agreement, and Fixture Filing (the *"Leasehold Deed of Trust")*, dated as of July 1, 2007, by the Corporation for the benefit of the Trustee and the deed of trust trustee named therein;

d. Bond Purchase Agreement (the *"Purchase Contract"*), dated June 28, 2007, by and between the Corporation, the City, Bear, Stearns & Co. Inc. and Banc of America Securities LLC, as representatives of the Underwriters named therein;

e. Tax Compliance Agreement (the *"Tax Compliance Agreement"*), dated as of July 1, 2007, among the City, the Corporation, and the Trustee in connection with the issuance of the Series 2007 Bonds;

f. Municipal bond insurance policies issued by the Credit Enhancer; and

g. Surety bonds issued by the Credit Enhancer.

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 2007 Bonds are addressed in the opinion of the Vice President and Assistant General Counsel of the Credit Enhancer; (ii) various issues with respect to the City in connection with the Series 2007 Bonds are addressed in the opinion of the St. Louis City Counselor; and (iii) various issues with respect to the Corporation in connection with the Series 2007 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 2007 Bonds have been duly authorized, executed and delivered by the Corporation and, when duly authenticated and delivered by the Trustee, will be valid and binding limited obligations of the Corporation payable in accordance with the Indenture, will be entitled to the benefits and security of the Indenture, and will evidence proportionate interests in the right to receive Rentals from the City under the Lease. Neither the Lease nor the Series 2007 Bonds constitute an indebtedness of the Corporation, the City, 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 Lease or to the payment of the Series 2007 Bonds.

2. Interest on the Series 2007 Bonds (including any original issue discount properly allocable to the owners thereof) is excludable from gross income for federal and Missouri income tax purposes. Such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. In addition to the foregoing exceptions, the opinions set forth in this paragraph are subject to the condition that each of the parties to the Tax Compliance Agreement complies with all requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), that must be satisfied subsequent to the issuance of the Series 2007 Bonds in order that interest thereon (including any original issue discount properly allocable to the owners thereof) be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. Each of the parties to the Tax Compliance Agreement has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Series 2007 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 2007 Bonds. We express no opinion as to whether the interest on the Series 2007 Bonds (including any original issue discount properly allocable to the owners thereof) is exempt from the tax imposed on financial institutions pursuant to Chapter 148 of the Revised Statutes of Missouri, as amended. The Series 2007 Bonds are not "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

Except as stated in paragraph 2 above, we express no opinion regarding any other federal or state tax consequences with respect to the Series 2007 Bonds.

It is to be understood that the rights of the owners of the Series 2007 Bonds and the enforceability of the Series 2007 Bonds, the Resolution, the Lease, the Indenture, the Leasehold Deed of Trust, the Purchase Contract and the Tax Compliance 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 2007 Bonds, and we express no opinion relating thereto. This opinion is delivered to you for your use only and it may not be relied upon by any third party for any purpose whatsoever without our prior written consent.

We call to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

By rendering this opinion, we do not undertake to advise you further of any changes in law or fact which may occur or come to our attention after the date hereof.

Very truly yours,

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APPENDIX F
FORM OF BOND INSURANCE POLICY

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

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

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Anne G. Gill
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.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

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