NEW ISSUE — Book-Entry-Only **Ratings: See "RATINGS" herein**
EXPECTED FORWARD DELIVERY DATE: May 17, 2007

*In the opinions of Co-Bond Counsel, interest on the Series C 2007 Bonds (a) assuming continuing compliance with certain covenants described under the caption **"TAX MATTERS"** herein, is excluded from gross income for federal income tax purposes and (b) is exempt from income taxation by the State of Missouri. Also, in the opinions of Co-Bond Counsel, interest on the Series C 2007 Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax on corporations and other taxpayers, including individuals. However, interest on the Series C 2007 Bonds will be included in adjusted current earnings for purposes of determining federal corporate alternative minimum tax liability. The Series C 2007 Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (relating to financial institution deductibility of interest expense). The issuance of the opinions of Co-Bond Counsel on the delivery date of the Series C 2007 Bonds is a condition to delivery of the Series C 2007 Bonds. See **"TAX MATTERS"** and **"DESCRIPTION OF FORWARD DELIVERY BOND PURCHASE AGREEMENT"** herein and the form of opinions of Co-Bond Counsel attached hereto as **Appendix E.***

REGIONAL CONVENTION AND SPORTS COMPLEX AUTHORITY

$49,585,000
Convention and Sports Facility Project Refunding Bonds
Series C 2007
(The City of St. Louis, Missouri, Sponsor)
Edward Jones Dome

payable from annually renewable lease payments to be made by
THE CITY OF ST. LOUIS, MISSOURI

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

The Series C 2007 Bonds are issuable only as fully-registered bonds in denominations of $5,000 and integral multiples thereof and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series C 2007 Bonds. See **"THE SERIES C 2007 BONDS - Book-Entry; Securities Depository"** herein. Interest on the Series C 2007 Bonds will be payable semiannually on February 15 and August 15, commencing on August 15, 2007.

The Series C 2007 Bonds are being issued by the Regional Convention and Sports Complex Authority (the "Authority"), under a Second Amended and Restated Trust Indenture (the "Indenture") between the Authority and UMB Bank & Trust, N.A., St. Louis, Missouri, as Trustee (the "Trustee"). The Series C 2007 Bonds are special, limited obligations of the Authority payable solely from certain payments ("City Payments") to be made, subject to annual appropriation, by The City of St. Louis, Missouri (the "City"), and certain other moneys received by the Authority pursuant to a Financing Agreement (as described herein) and directed to be deposited by the Authority with the Trustee under the Indenture. See **"THE EDWARD JONES DOME - The Financing Agreement"** herein.

Payment of the principal of and interest on the Series C 2007 Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series C 2007 Bonds. See **"BOND INSURANCE"** herein.

Ambac

MATURITY SCHEDULE - SEE INSIDE FRONT COVER

The obligation of the City to make City Payments is subject to annual appropriation by the St. Louis Board of Aldermen as provided in the Financing Agreement. The Series C 2007 Bonds and the interest thereon shall not constitute a debt of the Authority or of the City or of the State of Missouri (the "State") and none of the Authority, the City or the State shall be liable thereon, and neither the full faith and credit nor the taxing powers of the City, the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Series C 2007 Bonds. The Series C 2007 Bonds shall not constitute an indebtedness of the City, the State or any political subdivision thereof within the meaning of any constitutional, statutory or charter debt limitation or restriction. The issuance of the Series C 2007 Bonds does not directly or contingently obligate the City to make any payments beyond those appropriated for the City's then-current fiscal year. The Authority has no taxing power. An investment in the Series C 2007 Bonds contains certain risks. Purchasers of the Series C 2007 Bonds should refer to the sections herein captioned **"BONDOWNERS' RISKS"** and **"SOURCES OF PAYMENT AND SECURITY FOR THE SERIES C 2007 BONDS."**

The Series C 2007 Bonds are subject to extraordinary optional redemption prior to maturity as described herein.

The Series C 2007 Bonds are offered when, as and if issued by the Authority, subject to the approval of their legality by Thompson Coburn LLP and Armstrong Teasdale LLP, both of St. Louis, Missouri, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Sonnenschein Nath & Rosenthal LLP, St. Louis, Missouri, for the City by the Office of the City Counselor, and for the Underwriters by their co-counsel, Lewis & Munday, A Professional Corporation, Detroit, Michigan, and Gilmore & Bell, P.C., St. Louis, Missouri. It is expected that the Series C 2007 Bonds will be available for delivery through the facilities of DTC on or about May 17, 2007.

Morgan Stanley **JPMorgan**

A.G. Edwards **Citigroup** **M. R. Beal & Company**

The date of this Official Statement is October 6, 2006.

REGIONAL CONVENTION AND SPORTS COMPLEX AUTHORITY
$49,585,000
Convention and Sports Facility Project Refunding Bonds
Series C 2007
(The City of St. Louis, Missouri, Sponsor)
Edward Jones Dome

MATURITY SCHEDULE

BASE CUSIP[1]: 791687

Stated Maturity August 15	Principal Amount	Interest Rate %	Yield %	Price %	CUSIP[1]
2007	$ 970,000	5.25%	3.720%	100.358	BB1
2008	2,440,000	5.25	3.720	101.837	BC9
2009	2,565,000	5.25	3.720	103.259	BD7
2010	2,700,000	5.25	3.720	104.629	BE5
2011	2,840,000	5.25	3.720	105.950	BF2
2012	2,990,000	5.25	3.770	106.977	BG0
2013	3,145,000	5.25	3.810	107.929	BH8
2014	3,315,000	5.25	3.850	108.771	BJ4
2015	3,490,000	5.25	3.890	109.507	BK1
2016	3,670,000	5.25	3.950	109.980	BL9
2017	3,865,000	5.25	4.040	110.062	BM7
2018	4,070,000	5.25	4.100	110.270	BN5
2019	4,280,000	5.25	4.140	110.571	BP0
2020	4,505,000	5.25	4.180	110.791	BQ8
2021	4,740,000	5.25	4.210	111.050	BR6

[1] CUSIP numbers shown above have been assigned by an organization not affiliated with the Authority or the City. The Authority and the City are not responsible for the selection of CUSIP numbers nor do they make any representation as to the correctness of such numbers on the Series C 2007 Bonds as indicated therein.

REGIONAL CONVENTION AND SPORTS COMPLEX AUTHORITY
901 North Broadway
St. Louis, Missouri 63101

COMMISSIONERS

Stephen B. Hoven, *Chairman*
Michael A. Garvin, *Vice Chairman*
Harriett F. Woods, *Secretary/Treasurer*
Rodney Boyd
Judith K. Doss
Gerald T. Feldhaus
Jerry M. Hunter
Thomas J. Irwin
Linda Palmer
Anthony J. Soukenik
Richard Sullivan, Jr.

Walter H. Johnson, *Executive Director/Asst. Secretary/Asst. Treasurer*
Harvey M. Weiss, *Accounting/Support Manager*

AUTHORITY'S FINANCIAL ADVISOR

Public Financial Management, Inc.
Minneapolis, Minnesota

AUTHORITY'S COUNSEL

Sonnenschein Nath & Rosenthal LLP
St. Louis, Missouri

THE CITY OF ST. LOUIS, MISSOURI
1200 Market Street
St. Louis, Missouri 63103

ELECTED OFFICIALS

Francis G. Slay, *Mayor*
Darlene Green, *Comptroller*
James F. Shrewsbury, *President of the Board of Aldermen*
Larry C. Williams, *Treasurer*

BOARD OF ALDERMEN

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

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*
James F. Shrewsbury, *President of the Board of Aldermen*

CITY'S FINANCIAL ADVISOR

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

BOND COUNSEL

Thompson Coburn LLP
St. Louis, Missouri

Armstrong Teasdale LLP
St. Louis, Missouri

UNDERWRITERS' COUNSEL

Lewis & Munday, A Professional Corporation
Detroit, Michigan

Gilmore & Bell, P.C.
St. Louis, Missouri

TRUSTEE

UMB Bank & Trust, N.A.
St. Louis, Missouri

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Authority, the City 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 C 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 set forth herein has been obtained from the Authority, the City, the Regional Convention and Visitors Commission (the "CVC") and the Underwriters, and other sources which are deemed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information herein is subject to change without notice, and 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 Authority, the City or the CVC since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES C 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.

IF AND WHEN A BONDOWNER ELECTS TO SELL A SERIES C 2007 BOND PRIOR TO ITS MATURITY, THERE IS NO ASSURANCE THAT A MARKET WILL HAVE BEEN ESTABLISHED, MAINTAINED OR IS IN EXISTENCE FOR THE PURCHASE AND SALE OF THE SERIES C 2007 BONDS. THE UNDERWRITERS OF THE SERIES C 2007 BONDS INTEND, BUT ASSUME NO OBLIGATION, TO ESTABLISH OR MAINTAIN SUCH A MARKET, AND THE UNDERWRITERS ARE NOT OBLIGATED TO REPURCHASE ANY OF THE SERIES C 2007 BONDS AT THE REQUEST OF THE HOLDER THEREOF.

THE SERIES C 2007 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES C 2007 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF ANY STATES IN WHICH THE SERIES C 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 C 2007 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Other than information with respect to Ambac Assurance Corporation (the "Bond Insurer" or "Ambac Assurance") contained under the caption "BOND INSURANCE" and in "APPENDIX G: SPECIMEN BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series C 2007 Bonds or (iii) the tax-exempt status of the interest on the Series C 2007 Bonds.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "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, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan", "expect", "estimate", "anticipate", "projected", "budget" 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. NEITHER THE AUTHORITY OR THE CITY NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS INDICATED UNDER THE CAPTIONS **"DESCRIPTION OF FORWARD DELIVERY BOND PURCHASE AGREEMENT"** AND **"CONTINUING DISCLOSURE"** HEREIN.

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OFFICIAL STATEMENT

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$49,585,000
Convention and Sports Facility Project Refunding Bonds
Series C 2007
(The City of St. Louis, Missouri, Sponsor)
Edward Jones Dome

INTRODUCTION

*The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the Appendices hereto, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in **Appendix C** hereto.*

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to (1) the Regional Convention and Sports Complex Authority (the "Authority"), (2) the Authority's Convention and Sports Facility Project Refunding Bonds, Series C 2007 (The City of St. Louis, Missouri, Sponsor), in the principal amount of $49,585,000 (the "Series C 2007 Bonds"), (3) the Edward Jones Dome (the "Dome") and the adjoining A.J. Cervantes Convention Center (the "Cervantes Convention Center" which, together with the Dome, is known as "America's Center") located in downtown St. Louis, Missouri and (4) The City of St. Louis, Missouri (the "City").

The Authority

The Authority is a body politic and corporate and a public instrumentality organized and existing under Sections 67.650 to 67.658 of the Revised Statutes of Missouri, as amended (the "Act"). See the caption **"THE AUTHORITY"** herein.

The City of St. Louis, Missouri

The City is a constitutional charter city which is not part of any county. See **"APPENDIX A: INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI"** herein for further information regarding the City.

The Series C 2007 Bonds

The Series C 2007 Bonds are being issued pursuant to a Second Amended and Restated Trust Indenture dated as of May 1, 2007 (the "Indenture"), between the Authority and UMB Bank & Trust, N.A., as Trustee (the "Trustee"). The Series C 2007 Bonds are being issued for the purposes of (1) providing funds to refund all of the Authority's $61,285,000 original principal amount of Convention and Sports Facility Project and Refunding Bonds, Series C 1997 (The City of St. Louis, Missouri, Sponsor) (the "Series C 1997 Bonds"), outstanding in the principal amount of $50,615,000 (the "Refunded Bonds"), and (2) paying certain costs and expenses relating to the issuance of the Series C 2007 Bonds, including an amount to be paid to the City to make certain capital improvements to the Cervantes Convention Center. The Series C 1997 Bonds were issued to advance refund certain maturities of the Authority's $60,075,000 original principal amount of Convention and Sports Facility Project Bonds, Series C 1991 (The City of St. Louis, Missouri, Sponsor) (the "Series C 1991 Bonds"). The Series C 1991 Bonds, together with the Authority's $132,910,000 original principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State of Missouri, Sponsor) (the "Series A 1991 Bonds") and the Authority's $65,685,000 original principal amount of Convention and Sports Facility Project Bonds, Series B 1991 (St. Louis County, Missouri, Sponsor) (the "Series B 1991 Bonds" and, collectively with the Series A 1991 Bonds and the Series C 1991 Bonds, the "1991 Project Bonds"), were issued to finance the original construction of the Dome and to make an initial deposit to the Preservation Fund.

Because of federal income tax law requirements governing the issuance of refunding bonds, the Series C 2007 Bonds cannot be issued on a tax-exempt basis before May 17, 2007. To take advantage of current interest rates, the Authority has authorized the issuance of the Series C 2007 Bonds, but will delay the issuance and delivery of the Series C 2007 Bonds to on or about May 17, 2007. See the caption **"DESCRIPTION OF FORWARD DELIVERY BOND PURCHASE AGREEMENT"** herein.

Under the terms of the Indenture, the Authority may, with the consent of the City, issue additional bonds ("Additional Bonds") which, if issued, would rank on a parity with the outstanding Series C 2007 Bonds and any other bonds then Outstanding under the Indenture. See the caption **"THE SERIES C 2007 BONDS - Additional Bonds"** herein.

A description of the Series C 2007 Bonds is contained in this Official Statement under the caption **"THE SERIES C 2007 BONDS."** All references to the Series C 2007 Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Indenture and the Financing Agreement.

Security for the Series C 2007 Bonds

The Series C 2007 Bonds and the interest thereon are special, limited obligations of the Authority payable solely from City Payments to be made, subject to annual appropriation, by the City and other moneys received by the Authority under the Financing Agreement and directed to be deposited by the Authority with the Trustee under the Indenture (including, in certain circumstances, proceeds from insurance and condemnation awards but excluding any moneys held by the Trustee in the Rebate Fund). Pursuant to the Indenture, the Authority will pledge and assign such City Payments and other moneys to the Trustee to secure payment of the Series C 2007 Bonds and the interest thereon.

The Authority has established a Bond Reserve Fund as security for the Series C 2007 Bonds. See the caption **"SOURCES OF PAYMENT AND SECURITY FOR THE SERIES C 2007 BONDS - Bond Reserve Fund"** herein. The Series C 2007 Bonds are *not* secured by a mortgage lien on any portion of the Dome. See the caption **"BONDOWNERS' RISKS - No Mortgage of the Dome"** herein.

None of the Series C 2007 Bonds, the Financing Agreement, or any payments required under the Financing Agreement constitute a mandatory payment obligation of the City beyond the fiscal year of the City for which an appropriation has been made, or constitute or give rise to a general obligation or other indebtedness of the City. The St. Louis Board of Aldermen has appropriated City Payments for the City's fiscal year July 1, 2006 through June 30, 2007. See the caption **"BONDOWNERS' RISKS - Payments Subject to Annual Appropriation"** herein.

The Series C 2007 Bonds and the interest thereon shall not constitute a debt of the Authority or of the City or of the State of Missouri (the "State") and neither the Authority, the City nor the State shall be liable thereon. Neither the full faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Series C 2007 Bonds. The Series C 2007 Bonds shall not constitute an indebtedness of the City, the State or any political subdivision thereof within the meaning of any constitutional, statutory or charter debt

limitation or restriction. The Authority has no taxing power. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES C 2007 BONDS" herein.

Concurrently with the delivery of the Series C 2007 Bonds, Ambac Assurance will issue its financial guaranty insurance policy (the "Bond Insurance Policy") that guarantees the scheduled payment of principal of and interest on the Series C 2007 Bonds when due as set forth in the specimen of the Bond Insurance Policy included as ***Appendix G*** to this Official Statement. See the section herein captioned **"BOND INSURANCE."**

Bondowners' Risks

Payment of the principal of and interest on the Series C 2007 Bonds is subject to certain risks. See the caption **"BONDOWNERS' RISKS"** herein for a discussion of certain risks.

Continuing Disclosure

The City and UMB Bank & Trust, N.A., as Dissemination Agent, have entered into a Continuing Disclosure Agreement to provide certain annual financial information and operating data and notices of the occurrence of certain material events to satisfy the requirements of Rule 15c2-12 of the Securities and Exchange Commission. A description of this undertaking is set forth under the caption **"CONTINUING DISCLOSURE."** The City is currently in compliance with its prior continuing disclosure undertakings.

Definitions and Summaries of Certain Legal Documents

All capitalized terms used in this Official Statement not defined in the text hereof are defined under the caption **"DEFINITIONS OF WORDS AND TERMS"** set forth in ***Appendix C*** to this Official Statement. Brief descriptions of the Series C 2007 Bonds, the Indenture, the Financing Agreement and certain other matters are included in this Official Statement and in ***Appendix D*** hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture and the Financing Agreement are qualified in their entirety by reference to such documents, copies of which may be viewed prior to delivery of the Series C 2007 Bonds at the offices of Morgan Stanley & Co. Incorporated, 1221 Avenue of the Americas, New York, New York 10020, (212) 762-8264, and following delivery of the Series C 2007 Bonds at the offices of the Trustee, UMB Bank & Trust, N.A., Corporate Trust Department, 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490, and will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

All references in the Indenture and the Financing Agreement to the "Project" are referred to in this Official Statement as the "Dome", the "Project" and the "Dome" being one and the same.

PLAN OF FINANCING

Refunding of the Refunded Bonds

The Series C 2007 Bonds are being issued for the purposes of (1) providing funds to refund the Refunded Bonds, and (2) paying certain costs and expenses relating to the issuance of the Series C 2007 Bonds, including an amount to be paid to the City which will be used by the City to make certain capital improvements to the Cervantes Convention Center.

The proceeds of the Series 1997 Bonds were used, in part, to advance refund the Series C 1991 Bonds. Because of federal income tax law requirements, the Authority expects to deliver the Series C 2007 Bonds on or about May 17, 2007. For additional information relating to such delivery, see the caption **"DESCRIPTION OF FORWARD DELIVERY BOND PURCHASE AGREEMENT"** herein. The Series C 2007 Bonds will constitute a "current" refunding since the Series C 1997 Bonds will be redeemed within 90 days of settlement of the Series C 2007 Bonds. The Series C 1997 Bonds maturing on August 15, 2007 will be paid at maturity from proceeds of the Series C 2007 Bonds on deposit in the Escrow Fund - 2007. The Series C 1997 Bonds maturing on August 15, 2008 and thereafter will be called and prepaid on August 15, 2007 at a price of par plus accrued interest.

To effect the refunding of the Refunded Bonds, the Authority will enter into an Escrow Trust Agreement (the "Escrow Trust Agreement") dated as of May 1, 2007, with UMB Bank & Trust, N.A., as escrow agent (the "Escrow Agent"). Pursuant to the Escrow Trust Agreement, the Authority will deposit a portion of the proceeds of the Series C 2007 Bonds with the Escrow Agent in the Escrow Fund to purchase Government Obligations (the "Escrowed Securities") and to fund a beginning cash deposit. The Escrow Trust Agreement provides that the Escrowed Securities and the moneys held uninvested by the Escrow Agent are irrevocably pledged to the payment of the Refunded Bonds and the interest thereon and may be applied only to such payment.

Barthe & Wahrman, Bloomington, Minnesota, a firm of independent certified public accountants, will deliver a report stating that the firm has verified the arithmetical accuracy of certain computations based on assumptions provided to it by the Underwriters relating to the sufficiency of anticipated net cash flow from the Escrowed Securities and the uninvested funds held by the Escrow Agent to pay the maturing principal or redemption price of and interest on the Refunded Bonds on August 15, 2007. See the caption **"VERIFICATION OF MATHEMATICAL COMPUTATIONS"** herein.

Estimated Sources and Uses of Funds

The table below summarizes the estimated sources and uses of funds in connection with the issuance of the Series C 2007 Bonds:

Sources of Funds	
Principal Amount of Series C 2007 Bonds	$49,585,000.00
Original Issue Premium	4,141,878.70
Bond Reserve Fund for Refunded Bonds	5,870,772.00
Bond Fund for Refunded Bonds	1,155,000.00
Total Sources	$60,752,650.70
Uses of Funds:	
Deposit to Escrow Fund - 2007[(1)]	$51,958,204.38
Deposit to Bond Reserve Fund	5,870,772.00
Underwriters' Discount	423,376.08
Other Costs of Issuance[(2)]	722,074.46
Amount to be Paid to City [(3)]	1,778,223.78
Total Uses	$60,752,650.70

(1) Subject to change based on investment of Escrow Fund - 2007. Amounts not required for the defeasance of the Refunded Bonds will be deposited in the Costs of Issuance Fund.
(2) Includes premium for the Bond Insurance Policy.
(3) Subject to change based on investment of Escrow Fund - 2007. Amounts not required for the defeasance of the Refunded Bonds will be deposited in the Costs of Issuance Fund. The City intends to use this amount to pay for certain capital improvements to the Cervantes Convention Center.

THE SERIES C 2007 BONDS

The following is a summary of certain terms and provisions of the Series C 2007 Bonds. Reference is hereby made to the provisions with respect thereto in the Indenture and the Financing Agreement for the detailed terms and provisions thereof.

Description

The Series C 2007 Bonds (1) will be issued in the principal amount of $49,585,000, (2) will be dated as of the date of initial issuance and delivery thereof, (3) will bear interest at the rates per annum set forth on the inside cover page hereof, (4) will be payable semiannually on February 15 and August 15 of each year, beginning on August 15, 2007, and (5) will mature annually on August 15 in the years and in the principal amounts set forth on the inside cover page hereof.

The Series C 2007 Bonds are issuable as fully-registered bonds in the denominations of $5,000 or any integral multiple thereof. Principal of and redemption premium, if any, on the Series C 2007 Bonds is payable at the principal payment office (or other designated office) of the Trustee. Interest on the Series C 2007 Bonds is payable (1) by check or draft mailed by the Trustee to the person in whose name each Series C 2007 Bond is registered on the first day (whether or not a Business Day) of the calendar month of each interest payment date (the "Record Date") at such person's address as it appears on the bond registration books kept by the Trustee under the Indenture, or (2) at the written election of the Holder of $1,000,000 or more in aggregate principal amount of Series C 2007 Bonds Outstanding delivered to the Trustee at least one Business Day prior to the Record Date for which such election will be effective, by wire transfer in immediately available funds to an account designated by such Holder.

Redemption Provisions

The Series C 2007 Bonds are not subject to optional redemption except upon the occurrence of the extraordinary conditions or events described below.

Extraordinary Optional Redemption. The Series C 2007 Bonds are subject to redemption and payment prior to the stated maturity thereof by the Authority, as a whole or in part on any interest payment date, at a redemption price of 100% of the principal amount of the Series C 2007 Bonds being called for redemption, plus accrued interest to the redemption date, upon the occurrence of any of the following conditions or events:

(1) if title to, or the use for a limited period of, substantially all of the Dome is condemned by any authority having the power of eminent domain;

(2) if title to substantially all of the Dome is found to be deficient or nonexistent to the extent that the efficient utilization of the Dome by the Authority is impaired;

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

(4) if as a result of changes in the Constitution of the State of Missouri, or of legislative or administrative action by the State of Missouri or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Financing Agreement becomes void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the Sponsors or the Authority.

Selection of Series C 2007 Bonds to be Redeemed. The Series C 2007 Bonds shall be redeemed only in the principal amount of $5,000 or any integral multiple thereof. When less than all of the Outstanding Series C 2007 Bonds are to be redeemed and paid prior to maturity, such Bonds shall be redeemed in any order of maturity as directed by the Authority, Bonds of less than a full maturity to be selected by the Trustee in $5,000 units of face value by lot or in such equitable manner as the Trustee may determine.

Trustee's Duty to Redeem Series C 2007 Bonds. In the case of any extraordinary optional redemption, the Trustee shall call Series C 2007 Bonds for redemption and payment as provided in the Indenture and shall give notice of redemption as provided therein upon receipt by the Trustee at least 35 days prior to the redemption date of a written request of the Authority. Such request shall specify the principal amount of Series C 2007 Bonds and their maturities so to be called for redemption, the applicable redemption price or prices and the provision or provisions pursuant to which such Series C 2007 Bonds are to be called for redemption.

Notice and Effect of Call for Redemption. Notice of any redemption of Series C 2007 Bonds shall be given by the Trustee, in the name of the Authority, by mailing a copy of the redemption notice by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the redemption date to the Holder of each Series C 2007 Bond to be redeemed, and by certified or registered mail to each Holder of $1,000,000 or more in aggregate principal amount of Series C 2007 Bonds and not less than two national information services. Notice of redemptions at the option of the Authority may be conditional upon moneys being on deposit with the Trustee on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date. If such notice is conditional and such moneys are not received, the notice shall be of no force and effect, the Trustee shall not redeem such Series C 2007 Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not received and that such Series C 2007 Bonds will not be redeemed.

Upon notice having been given as provided in the Indenture and the other conditions set forth in the Indenture having been satisfied, the Series C 2007 Bonds or the portions of the principal amount of Series C 2007 Bonds thus called for redemption shall cease to bear interest on the specified redemption date, shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the Indenture.

Additional Bonds

The Authority may, with the prior consent of the City, issue Additional Bonds equally and ratably secured by the Indenture on a parity with the outstanding Series C 2007 Bonds and any other Additional Bonds Outstanding, for any of the following purposes:

(1) to provide funds to pay all or any part of the costs of repairing, replacing or restoring the Dome in the event of damage, destruction or condemnation thereto or thereof;

(2) to provide funds to pay all or any part of the costs of acquisition, construction, improvement, extension, enlargement, repair, remodeling, renovating, furnishing and equipping of Project Additions as the Authority may deem necessary or desirable; or

(3) to provide funds for the purpose of refunding all or a portion of the Bonds of any series then Outstanding.

Additional Bonds may be issued only if the Authority satisfies certain conditions set forth in the Indenture. See the caption **"THE INDENTURE - Authorization of Additional Bonds"** in ***Appendix D*** hereto.

Registration, Transfer and Exchange of Series C 2007 Bonds

The Series C 2007 Bonds may be transferred only upon the books kept for the registration and transfer of Series C 2007 Bonds upon surrender thereof to the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Series C 2007 Bonds may be exchanged for other Series C 2007 Bonds of any denomination authorized by the Indenture in the same aggregate principal amount, series and maturity, upon surrender to the Trustee, subject to the terms, conditions and limitations and upon payment of any tax or other governmental charge required to be paid with respect to any such exchange or registration of transfer.

Defeasance Provisions

When the principal of, premium, if any, and interest on all the Series C 2007 Bonds have been paid in accordance with their terms or provision has been made for such payment, as described below, and provision also has been made for paying all other sums payable under the Indenture, including the fees and expenses of the Trustee and the Paying Agent to the date of retirement of the Series C 2007 Bonds, and all sums payable according to the Tax Agreement, then the right, title and interest of the Trustee under the Indenture shall thereupon cease, determine and be void. Thereupon, the Trustee shall cancel, discharge and release the Indenture and shall execute, acknowledge and deliver to the Authority such instruments of satisfaction and discharge or release as the Authority shall request to evidence such release and the satisfaction and discharge of the Indenture, and shall transfer all amounts remaining in the funds and accounts created under the Indenture, other than the Expense Fund, to the Preservation Fund; provided, however, if the Agreement Term has been terminated with respect to the Authority as set forth in the Financing Agreement, and after payment in full of all rebate payments to the United States, the fees, charges and expenses of the Trustee and any Paying Agent under the Project Indentures, any other amounts required to be paid under the Project Indentures and the Financing Agreement, the Trustee shall pay all amounts remaining in the funds and accounts created pursuant to the Project Indentures to the Authority, except funds or securities in which such moneys are invested and held by the Trustee for the payment of the principal of, premium, if any, and interest on the Series C 2007 Bonds and any Additional Bonds then Outstanding, and any funds, including funds in the Rebate Fund, or securities in which such moneys are invested and held by the Trustee for payment of rebate payments required under Section 148(f) of the Code.

Series C 2007 Bonds shall be deemed to be paid within the meaning of the Indenture when payment of the principal of and the applicable redemption premium, if any, on such Series C 2007 Bonds, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (1) has been made or caused to be made in accordance with the terms of the Indenture, or (2) provision therefor has been made by depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment, (a) moneys sufficient to make such payment or (b) Government Obligations maturing as to principal and interest in such amount and at such times as will ensure the availability of sufficient moneys to make such payment. At such time as a Series C 2007 Bond is deemed to be paid under the Indenture, such Series C 2007 Bond shall no longer be secured by or be entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

In the case of Series C 2007 Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit described under clause (2) in the preceding paragraph shall be deemed a payment of such Series C 2007 Bonds until, as to all such Series C 2007 Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption has been given in accordance with the Indenture (which notice may provide that the redemption is conditioned upon the availability of funds for such purpose) or irrevocable instructions have been given to the Trustee to give such notice.

Book-Entry; Securities Depository

General. When the Series C 2007 Bonds are issued, ownership interests in the Series C 2007 Bonds will be available to purchasers only through a book-entry-only system (the "Book-Entry-Only System") maintained by The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series C 2007 Bonds. Initially, the Series C 2007 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series C 2007 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC or with the Trustee as its "FAST" agent. The following discussion will not apply to any Series C 2007 Bonds issued in certificate form due to the discontinuance of the Book-Entry-Only System, as described below.

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, as amended. DTC holds and provides asset servicing for 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, MBS Clearing Corporation and Emerging Markets Clearing Corporation ("NSCC," "GSCC," "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 (the "Indirect Participants" and, collectively with the Direct Participants, the "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchase of Ownership Interests. Purchases of the Series C 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series C 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series C 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 purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series C 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 the Series C 2007 Bonds, except in the event that use of the book-entry system for the Series C 2007 Bonds is discontinued.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Series C 2007 Bonds, the Beneficial Owners of the Series C 2007 Bonds will not receive or have the right to receive physical delivery of the Series C 2007 Bonds and will not be or be considered to be owners thereof under the Indenture, and references herein to the Bondowners or registered owners of the Series C 2007 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series C 2007 Bonds.

Transfers. To facilitate subsequent transfers, all Series C 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series C 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series C 2007 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series C 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.

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

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series C 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 Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series C 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. So long as any Series C 2007 Bond is registered in the name of DTC's nominee, all payments of principal of, premium, if any, and interest on the Series C 2007 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Authority or the Underwriters, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series C 2007 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is 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 C 2007 Bonds at any time by giving notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered as described in the Indenture. The use of the system of book-entry transfers through DTC (or a successor securities depository) may be discontinued as described in the Indenture. In that event, bond certificates will be printed and delivered as described in the Indenture.

None of the Underwriters, the Trustee, the Authority nor the City will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (1) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (2)

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 C 2007 Bonds; (3) 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 owners of the Series C 2007 Bonds; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series C 2007 Bonds; or (5) any consent given or other action taken by DTC as Bondowner.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the Authority and the Underwriters believe to be reliable, but the Authority, the City and the Underwriters take no responsibility for the accuracy thereof, and neither the Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Participants, as the case may be.

The Trustee is entitled to rely on information provided by DTC and the Participants as to the names and principal amounts in which the Series C 2007 Bonds are to be registered. The Beneficial Owner, upon registration of the Series C 2007 Bonds held in the Beneficial Owner's name, shall become the Bondowner thereof under the Indenture.

The Trustee and the Authority, so long as a book-entry system is used for the Series C 2007 Bonds, are to send any notice of redemption or other notices required to be sent to Bondowners only to DTC. Any failure by DTC to advise any Participant, or by any Participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the Series C 2007 Bonds called for redemption or of any other action premised on such notice.

The Authority, the City and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments on the Series C 2007 Bonds made to DTC or its nominee, as the registered Bondowner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC and the Participants, or any successor depository, will serve and act in a manner described in this Official Statement.

Neither the Authority, the City nor the Trustee will have any responsibility or obligations to such Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice for the Participants, the Indirect Participants or the Beneficial Owners.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES C 2007 BONDS

Limited Obligations

The Series C 2007 Bonds and the interest thereon are special, limited obligations of the Authority payable solely from (1) City Payments and (2) other moneys received by the Authority under the Financing Agreement and directed to be deposited by the Authority with the Trustee under the Indenture (including, in certain circumstances, proceeds from insurance and condemnation awards but excluding any moneys held by the Trustee in the Rebate Fund). Under the Indenture, the Authority will pledge and assign the City Payments and other moneys described above to the Trustee for the benefit of the Bondowners as security for the payment of the Series C 2007 Bonds, any Additional Bonds then Outstanding, and the interest thereon.

The Series C 2007 Bonds and the interest thereon shall not constitute a debt of the Authority or of the City or of the State and none of the Authority, the City or the State shall be liable thereon, and neither the full faith and credit nor the taxing powers of the City, the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Series C 2007 Bonds. The Series C 2007 Bonds shall not constitute an indebtedness of the City, the State or any political subdivision thereof within the meaning of any constitutional, statutory or charter debt limitation or restriction. The Authority has no taxing power. Neither the Commissioners of the Authority nor any person executing the Series C 2007 Bonds are personally liable on the Series C 2007 Bonds by reason of the issuance thereof.

THE SERIES C 2007 BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE CITY. THE CITY IS NOT LEGALLY REQUIRED TO BUDGET OR APPROPRIATE MONEYS DURING ANY YEAR BEYOND THE CURRENT FISCAL YEAR THAT THE FINANCING AGREEMENT IS IN EFFECT WITH RESPECT TO THE CITY.

Bond Reserve Fund

The Authority will cause a Bond Reserve Fund to be continuously funded in an amount equal to the Bond Reserve Requirement (hereinafter defined). The Bond Reserve Fund may be funded with cash or Investment Securities with a market value at least equal to the Bond Reserve Requirement, or in lieu thereof by depositing with the Trustee a letter of credit or insurance policy ("Credit Enhancement") with a term of not less than the lesser of one year or the remaining term of the Series C 2007 Bonds, provided by a bank or insurance company ("Credit Provider") rated at least "A" by Moody's, S&P and Fitch. "Bond Reserve Requirement" means, with respect to the Series C 2007 Bonds, the sum of $5,870,772, and with respect to any series of Additional Bonds, the amount specified in the Supplemental Indenture authorizing the issuance of such Additional Bonds; provided, however, that such amount shall not exceed the sum which, when added to the amount in the Bond Reserve Fund, shall equal the lesser of (1) 10% of the proceeds of all Outstanding Bonds, (2) 125% of the average annual debt service on all Outstanding Bonds, (3) the maximum annual debt service on all Outstanding Bonds or (4) the maximum amount which may be invested without yield restriction under the Code, as evidenced by an opinion of Bond Counsel; provided, further, that if the Trustee receives an opinion of Bond Counsel that the amount of the Bond Reserve Requirement exceeds the amount which may be invested without yield restriction under the Code, the Trustee shall yield restrict the portion of such Bond Reserve Fund which cannot be invested without yield restriction in such investments as the Authority shall direct, which Authority direction may, if expressly permitted in such opinion of Bond Counsel, include yield restriction by making yield reduction payments to the U.S. Treasury.

Amounts in the Bond Reserve Fund are to be used to pay principal of, premium, if any, and interest on the Series C 2007 Bonds to the extent of any deficiency in the Bond Fund or to reimburse the Credit Provider for a draw on the Credit Enhancement for such purposes.

Bond Insurance

Concurrently with the delivery of the Series C 2007 Bonds, Ambac Assurance will issue the Bond Insurance Policy that guarantees the scheduled payment of principal of and interest on the Series C 2007 Bonds when due as set forth in the specimen of the Bond Insurance Policy included as ***Appendix G*** to this Official Statement. See the sections captioned **"BOND INSURANCE"** and **"DESCRIPTION OF THE FORWARD DELIVERY BOND PURCHASE AGREEMENT - Conditions to Settlement -** ***Bond Insurance Policy"*** herein.

Preservation Fund

A Preservation Fund has been established under the Project Indentures for each series of the Bonds and was initially funded from proceeds of the 1991 Project Bonds in the amount of $10,000,000. Beginning on August 1, 1994 and semiannually thereafter during each fiscal year of the State, St. Louis County, Missouri (the "County") and the City (collectively, the "Sponsors"), in which the Financing Agreement is in effect with respect to that Sponsor, the Financing Agreement requires the State to make a Preservation Payment in the amount of $1,000,000 ($2,000,000 annually) and requires the County and the City to make Preservation Payments in the amount of $500,000 each ($1,000,000 each annually).

On or prior to each August 1 during any year the Bonds are Outstanding, an Authorized Authority Representative shall direct the Trustee to segregate within the Preservation Fund moneys sufficient to pay, as and when the same become due, all insurance premiums for insurance policies required by the Financing Agreement which will come due within the next succeeding year. The remaining moneys in the Preservation Fund may be used at the option of the Authority for any of the following purposes:

(1) to pay Preservation Costs;

(2) to pay any costs of operating and maintaining the Dome, other than Preservation Costs, incurred by the Authority pursuant to the Financing Agreement;

(3) to pay debt service on the Bonds or to restore any amount withdrawn from the Bond Reserve Funds pursuant to the provisions of the Financing Agreement; or

(4) to reimburse any Credit Provider under any Project Indenture for any draws on any related Credit Enhancement (none currently anticipated).

To date, the Authority has expended approximately \$36,000,000 from the Preservation Fund on the repair of major systems and modernization of the Dome, including \$8,200,000 on improvements the Authority categorizes as First Tier (as hereinafter defined). See the caption **"THE EDWARD JONES DOME - Lease of the Dome to the RAMS"** herein. A portion of the Preservation Payments made by the Sponsors through August 1, 1999 was used to pay debt service on the portion of the 1991 Project Bonds issued to prefund the Preservation Fund. No other moneys in the Preservation Fund have ever been used to pay debt service on Bonds of the Authority. The current balance in the Preservation Fund is approximately \$17,500,000.

Covenant Not to Compete

Each Sponsor has covenanted in the Financing Agreement that, to the extent permitted by law, if such Sponsor fails to pay any Sponsor Payment during the term of the Financing Agreement for a period of five business days after said payments are due and payable, determined without regard to whether the Agreement Term has been terminated with respect to any Sponsor due to the occurrence of an Event of Non-Appropriation with respect to such Sponsor, then such Sponsor will not, until August 15, 2024, construct, own or operate any enclosed sports stadium with more than 40,000 seats or any convention center facility exceeding 150,000 square feet (other than the existing Cervantes Convention Center, including the southern expansion thereof, Kiel Auditorium and any successor facility operating at the same location, and any public sports facilities which do not charge admission to spectators) within the geographical boundaries of the City of St. Louis or St. Louis County.

No Mortgage of the Dome

Payment of principal and interest on the Series C 2007 Bonds is *not* secured by any deed of trust, mortgage or other lien on the Dome or any portion thereof, nor by any pledge of the revenues to be derived from the operation of the Dome.

No Cross Default

The Authority's (i) \$110,235,000 original principal amount of Tax Exempt Convention and Sports Facility Project and Refunding Bonds, Series A-1 2003 (State of Missouri, Sponsor) and \$5,795,000 original principal amount of Taxable Convention and Sports Facility Project and Refunding Bonds, Series A-2 2003 (State of Missouri, Sponsor), (ii) \$55,865,000 original principal amount of Tax Exempt Convention and Sports Facility Project and Refunding Bonds, Series B-1 2003 (St. Louis County, Missouri, Sponsor) and \$2,925,000 original principal amount of Taxable Convention and Sports Facility Project and Refunding Bonds, Series B-2 2003 (St. Louis County, Missouri, Sponsor), and (iii) the Series C 2007 Bonds are all secured separately by payments to be made by the State, the County and the City, respectively. Accordingly, an Event of Non-Appropriation by a Sponsor or an Event of Default with respect to any series of such Bonds will not result in any Event of Default with respect to Bonds of another Sponsor. However, upon the occurrence of an Event of Default under the Financing Agreement with respect to a Sponsor, the Authority may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the series of Bonds as to which such default has occurred shall, terminate the use of the Dome for Conventions (as hereinafter defined) and professional football purposes. "Conventions" means privately-held meetings of professional groups or associations attended by members of such groups and/or associations, and may include exhibits incident to such meetings or of interest to those attending such meetings. For the purposes hereof, the term "Conventions" is not intended to include: trade shows and similar exhibit events designed to show products to wholesalers, retailers and industry purchasers, consumer shows featuring exhibitions of merchandise for sale and/or display to attendees, concerts, family shows, sporting events other than professional football, banquets, meetings, dances and similar events.

Remedies of Bondowners

If the Authority fails to pay the principal of or interest on any Series C 2007 Bond when due, (a) the Trustee shall, with the prior written consent of the Bond Insurer, and (b) if any other Event of Default under the Indenture has occurred and is continuing, the Trustee (i) may, with the prior written consent of the Bond Insurer, and (ii) upon the written request of the Bond Insurer or the Holders of not less than 25% in aggregate principal amount of the Series C 2007 Bonds then Outstanding with the prior written consent of the Bond Insurer shall, declare the principal of all Series C 2007 Bonds then Outstanding and the interest accrued thereon immediately due and payable.

In addition, if any Event of Default under the Indenture has occurred and is continuing, the Trustee may, with the prior written consent of the Bond Insurer, and if requested to do so by the Bond Insurer or the Holders of not less than 25% in aggregate principal amount of the Series C 2007 Bonds then Outstanding with the prior written consent of the Bond Insurer, and indemnified as provided in the Indenture, the Trustee shall, pursue and exercise any available remedy at law or in equity to enforce the payment of the Series C 2007 Bonds.

The Bond Insurer is entitled to its rights under the Indenture, including its right of consent, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy.

The Indenture also provides that if the Authority fails to pay the principal of or interest on any Series C 2007 Bond when due, or upon the failure by a Sponsor to pay any Sponsor Payment for a period of five business days after said payments are due and payable, determined without regard to whether the Agreement Term has been terminated with respect to any Sponsor due to the occurrence of an Event of Non-Appropriation with respect to such Sponsor, then the Trustee shall, upon the written request of the Holders of not less than 25% in aggregate principal amount of the Series C 2007 Bonds then Outstanding, direct the Authority to terminate the use of the Dome for Conventions and professional football purposes. See the caption **"SOURCES OF PAYMENT AND SECURITY FOR THE SERIES C 2007 BONDS - No Cross Default"** herein.

Upon non-receipt by the Trustee of any Sponsor Payment when due or upon termination of the Financing Agreement with respect to a Sponsor upon the occurrence of an Event of Non-Appropriation, the Authority may (but shall not be obligated to) make any such Sponsor Payment from moneys on deposit in the Preservation Fund or the Expense Fund, from moneys provided by any other Sponsor (other than money used to pay debt service on Bonds of that Sponsor), or from any other available moneys of the Authority. Such payment, if made by the Authority, shall cure non-payment of the Sponsor Payment by the Sponsor and therefore the remedies upon an Event of Default or Event of Non-Appropriation are not available to Bondowners.

For a description of occurrences that constitute Events of Default under the Financing Agreement and the Indenture and additional information regarding remedies upon such occurrences, see the captions **"THE INDENTURE - Events of Default"** and **"THE FINANCING AGREEMENT - Events of Default"** in ***Appendix D*** hereto.

Remedies upon Non-Appropriation

Upon the occurrence of an Event of Non-Appropriation with respect to any Sponsor, the Agreement Term shall terminate as to such Sponsor (subject to certain rights to cure as set forth in the Financing Agreement). Termination of the Agreement Term with respect to a Sponsor shall terminate all rights and obligations of such Sponsor under the Financing Agreement, but shall not terminate the Agreement Term with respect to the other Sponsors.

Upon receipt of notice of the occurrence of an Event of Non-Appropriation or an Event of Default under the Financing Agreement with respect to a Sponsor, the Authority shall notify the Commissioners of the Authority appointed by such Sponsor that pursuant to the Act such Commissioners are disqualified from voting on any matter, action or resolution to come before the Authority, and from participating in any of the business of the Authority, so long as such Event of Non-Appropriation or Event of Default continues with respect to such Sponsor.

Authority's Remedies on Default

Upon the occurrence of an Event of Default under the Financing Agreement with respect to a Sponsor, the Authority may elect (subject, however, to any restrictions contained in the respective Project Indentures against acceleration of the maturity of the respective series of the Bonds or termination of the Financing Agreement with respect to such Sponsor) to take any one or more of the following actions:

a. give each Sponsor written notice of the Authority's intention to terminate all rights to use the Dome for Conventions and professional football purposes on a date not earlier than 180 days after such notice is given, and if all defaults have not then been cured, the Authority shall terminate such uses on such date;

b. give each Sponsor and any tenant or subtenant under any lease, sublease or other agreement authorizing use of the Dome for Conventions and professional football purposes, written notice of the Authority's intention to terminate the rights under any such leases, subleases or other agreements to use the Dome for Conventions and professional football purposes on a date specified in such notice, which shall not be earlier than 180 days after such notice is given and thereafter to terminate any such leases, subleases and agreements if all defaults have not been cured within one calendar year of the date of termination of use of the Dome for Conventions and professional football purposes; or

c. use reasonable diligence to relet or license the use of the Dome, or parts thereof, for such terms, rentals and conditions the Authority deems advisable, except that no such reentry or taking of possession of the Dome by the Authority will be construed as an election by the Authority to terminate the Financing Agreement with respect to the Sponsors, and no such reentry or taking of possession by the Authority will relieve the Sponsors of their respective obligations to pay Sponsor Payments or of any of their other obligations under the Financing Agreement.

Trustee's Obligations upon Event of Default

Upon (1) the failure by a Sponsor to pay any Sponsor Payments during the term of the Financing Agreement for a period of five business days after said payments are due and payable, determined without regard to whether the Agreement Term has been terminated with respect to any Sponsor due to the occurrence of an Event of Non-Appropriation with respect to such Sponsor, or (2) the occurrence of an Event of Default under any Project Indenture, then the Trustee shall (subject to any restrictions contained in the respective Project Indentures against acceleration of the maturity of the respective series of the Bonds or termination of the Financing Agreement with respect to such Sponsor) cause such Sponsor's Sponsor Payments for the remainder of such Sponsor's fiscal year to become due and payable.

Upon (1) default by the Authority in the due and punctual payment of principal of, premium, if any, or interest on any Project Bond or (2) default as specified in clause (1) of the preceding paragraph, the Trustee shall upon the written request of the Holders of not less than 25% in aggregate principal amount of the respective Bonds then Outstanding direct the Authority to terminate use of the Dome for Conventions and professional football purposes and to terminate all leases, subleases and agreements authorizing such use; subject, however, to certain notice periods and possible rescission of such direction of the Trustee, all as set forth in the Financing Agreement.

BOND INSURANCE

Payment Pursuant to Bond Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Bond Insurance Policy") relating to the Series C 2007 Bonds effective as of the date of issuance of the Series C 2007 Bonds. Under the terms of the Bond Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series C 2007 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series C 2007 Bonds and, once issued, cannot be canceled by Ambac Assurance.

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 C 2007 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series C 2007 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series C 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 C 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 Ambac Assurance 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 Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance'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 the Series C 2007 Bonds 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 its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the 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.

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

If it becomes necessary to call upon the Bond Insurance Policy, payment of principal requires surrender of the Series C 2007 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series C 2007 Bonds to be registered in the name of Ambac Assurance 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 Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series C 2007 Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Series C 2007 Bonds and will be fully subrogated to the surrendering Holder's rights to payment.

The Bond Insurer

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$9,599,000,000** (unaudited) and statutory capital of approximately **$6,000,000,000** (unaudited) as of **June 30, 2006.** Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series C 2007 Bonds.

Ambac Assurance makes no representation regarding the Series C 2007 Bonds or the advisability of investing in the Series C 2007 Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading **"BOND INSURANCE"** and in ***Appendix G:*** **Specimen Bond Insurance Policy**.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 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. (the "NYSE"), 20 Broad Street, New York, New York 10005.

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

Incorporation of Certain Documents by Reference

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

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;

2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006;

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006;

4. The Company's Current Report on Form 8-K dated July 25, 2006 and filed on July 26, 2006;

5. The Company's Current Report on Form 8-K dated and filed on July 26, 2006; and

6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2006 and filed on August 9, 2006.

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".**

BONDOWNERS' RISKS

An investment in the Series C 2007 Bonds contains certain risks, and the discussion below should be reviewed in evaluating the Authority's ability to pay the principal of, redemption premium, if any, and interest on the Series C 2007 Bonds. This discussion of risk factors is not intended to be exhaustive.

Because the Series C 2007 Bonds are insured by the Bond Insurer, the occurrence of any of the risk factors discussed below should not, under ordinary circumstances, adversely affect payment of the Series C 2007 Bonds. The principal risk that may affect payment of the Series C 2007 Bonds is the inability or refusal of the Bond Insurer to perform its duties under the Bond Insurance Policy.

Payments Subject to Annual Appropriation

The Series C 2007 Bonds are payable from City Payments due under the Financing Agreement, which payments are subject to annual appropriation. Neither the City Payments, any other payments under the Financing Agreement, nor any payments on the Series C 2007 Bonds constitute a general obligation or other indebtedness of the City or a mandatory payment obligation of the City in any fiscal year for which the St. Louis Board of Aldermen has not appropriated such payments.

The obligations of the City under the Financing Agreement are limited to those funds that have been specifically budgeted and appropriated annually by the St. Louis Board of Aldermen for such purpose. The

St. Louis Board of Aldermen has appropriated moneys sufficient to make the City Payments for the fiscal year July 1, 2006 through June 30, 2007. However, the City's obligations under the Financing Agreement may be terminated on an annual basis by the City without any penalty, and there is no assurance that the City will continue to make payments under the Financing Agreement beyond the current fiscal year. Accordingly, whether the City will continue its payments under the Financing Agreement throughout the term of the Series C 2007 Bonds is dependent upon certain factors which are beyond the control of the Bondowners, including (1) the ability of the City to generate sufficient funds through taxation and other sources to meet its other obligations and then to appropriate funds to meet its obligations under the Financing Agreement and (2) the ability or willingness of the City to continue making appropriations if an Event of Default or Event of Non-Appropriation occurs with respect to one or both of the other Sponsors. See the captions **"THE INDENTURE - Events of Default"** and **"THE FINANCING AGREEMENT - Events of Default"** in ***Appendix D*** hereto.

Acceleration of Maturity

An Event of Default under the Indenture may result in an acceleration of the maturity of the Series C 2007 Bonds. In such event, a Bondowner whose Series C 2007 Bonds are accelerated may not have the opportunity to hold the Series C 2007 Bonds for a time period consistent with such Bondowner's original investment intentions.

Forward Delivery Contract

The Authority expects to issue and deliver the Series C 2007 Bonds on a forward delivery date, which is expected to be on or about May 17, 2007. Each investor placing an order for the Series C 2007 Bonds which is accepted by the Underwriters will be required to execute a forward delivery contract in substantially the form set forth in ***Appendix F*** hereto. Events which may occur prior to the Settlement Date (as hereinafter defined) may have a significant consequence to investors who have agreed to purchase the Series C 2007 Bonds on the Settlement Date. See the caption **"DESCRIPTION OF FORWARD DELIVERY BOND PURCHASE AGREEMENT"** herein.

Risk of Taxability

The opinions of Co-Bond Counsel with respect to the exclusion of interest on the Series C 2007 Bonds are conditioned upon future compliance with certain conditions by the Authority and the City. See the caption **"TAX MATTERS"** herein. Failure to comply with such conditions could result in interest on the Series C 2007 Bonds becoming includable in gross income retroactive to the date of issuance. The interest rate on the Series C 2007 Bonds is not subject to adjustment nor are the Series C 2007 Bonds subject to redemption in the event of a determination by the Internal Revenue Service (the "IRS") or a court of competent jurisdiction that the interest paid or to be paid on any Series C 2007 Bonds is or was included in gross income for federal income tax purposes.

Risk of Audit

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is included in gross income for federal income tax purposes. Co-Bond Counsel cannot predict whether the IRS will commence an audit of the Series C 2007 Bonds. Owners of the Series C 2007 Bonds are advised that, if the IRS does audit the Series C 2007 Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Authority as the taxpayer, and the owners of the Series C 2007 Bonds may have limited rights to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series C 2007 Bonds until the audit is concluded, regardless of the ultimate outcome.

No Mortgage of the Dome

Payment of principal of and interest on the Series C 2007 Bonds is *not* secured by any deed of trust, mortgage or other lien on the Dome or any portion thereof, nor by any pledge of the revenues to be derived from the operation of the Dome.

Special Use Facility

The Dome is not easily used for purposes other than a convention center and sports complex. Accordingly, although the Authority has the right under the Indenture to take possession and relet or license the use of the Dome upon the occurrence of an Event of Default, no assurance can be made that the Dome could generate sufficient revenues to pay principal of and interest on the Series C 2007 Bonds upon the exercise of such remedy by the Authority.

THE EDWARD JONES DOME

General Description

The 1991 Project Bonds were issued in the aggregate principal amount of $258,670,000 to pay the costs of acquiring land and constructing thereon an eastward expansion of the A. J. Cervantes Convention Center (the "Cervantes Convention Center") in downtown St. Louis, Missouri, to be used as a multi-purpose convention and indoor sports facility. This facility, which opened in November 1995 and is now known as the Edward Jones Dome (the "Dome"), contains approximately 1,710,430 square feet of multi-purpose convention and trade show space, including exhibition, meeting, pre-function and registration functions, and an indoor sports facility with 126 luxury suites. The Dome can function as a separate venue with 180,000 square feet of exhibition floor space or, in conjunction with the adjoining Cervantes Convention Center, offers up to 502,000 contiguous square feet of exhibit space.

The Dome has a capacity of approximately 67,000 seats for viewing football and a capacity of approximately 40,000 seats for viewing basketball and other arena-style events. The Dome includes field level, lower deck, suite and club levels and upper deck seating areas. The 126 luxury suites (2,718 seating capacity) and 6,710 club level seats provide direct access to lounge spaces around the Dome. The seating is a combination of fixed, moveable and retractable seats that can be arranged in various configurations depending on the type of event to be viewed. In addition to the facilities associated with convention and sports arenas, the Dome also includes administrative, concession, kitchen and operations facilities, and facilities for performers and the press.

Management and Operations

The Dome is maintained, operated and managed on an integrated basis with the remainder of the America's Center by the Regional Convention and Visitors Commission, a/k/a the St. Louis Convention and Visitors Commission, a public body corporate and politic of the State of Missouri (the "CVC"). The CVC maintains, operates and manages the Dome pursuant to a 30-year lease, which commenced in 1995 and terminates in 2025, between the Authority and the CVC (the "Operating Lease"). Under the Operating Lease, the CVC pays nominal annual rent to the Authority, and the CVC has the right to terminate the Operating Lease on relatively short notice depending on certain events. The CVC maintains, operates and manages the remainder of America's Center under a separate lease between the City and the CVC. For further information regarding the CVC, see the caption **"AMERICA'S CENTER: FACILITIES AND OPERATION - Convention and Visitors Commission"** herein.

Utilization of the Dome

The Dome is home to the St. Louis Rams NFL football team. In addition, the Dome has either hosted or is scheduled to host many high-profile sporting events, including: the Big 12 Conference Football Championships; the NCAA Men's Basketball Tournament: First and Second Rounds (2002), Midwest Regional Tournament (1999, 2004, 2007 and 2010), and Final Four (2005); the Saint Louis University vs. University of Missouri men's basketball game; the University of Missouri vs. University of Illinois football game (2002, 2003, 2007 and 2008); the St. Louis Gateway Football Classic; and the AMA Supercross.

The Dome has the distinction of being the site of the largest indoor gathering ever held in the United States -- the January 27, 1999 Mass celebrated by Pope John Paul II before more than 104,000 people. In addition, in May 2003, 5,500 travel planners and suppliers of goods and services to the travel industry from 70 countries attended the Travel Industry Association's International Pow Wow and used the Dome for meal functions for three days. Other notable meetings and conventions that have used the Dome since its opening include: American Towman, True Value Hardware, Joyce Meyer Ministries, Southern Baptists, National Baptists, PartyLite, the Primerica Financial Services convention, Missouri Petroleum Marketers Assn., Ace Hardware, the Nikken 2002 convention, Hewlett-Packard convention, Screenprinting and Graphic Imaging convention, Seventh-Day Adventists, National Business Travel Association, the National Tour Assn., Reliv, Promisekeepers, Amway, American Welding Society, National Model Railroad Assn., Evangelical Lutheran Church in America, Avon, Arbonne, and American Foundry Society.

Music concert events are booked into the Dome when space is available. Previous concert clients include Metallica, U2, the Rolling Stones, N'Sync, the Backstreet Boys, and George Strait.

The Financing Agreement

The Authority has entered into a Project Financing, Construction and Operation Agreement dated as of August 1, 1991, with the State, the County and the City (the "Financing Agreement"). The Financing Agreement provides for the application of the proceeds of the 1991 Project Bonds, authorizes the Authority to issue Additional Bonds, provides for the repayment of each respective series of bonds from funds appropriated annually by the State, the County and the City, respectively, and provides for the operation and maintenance of the Dome.

Pursuant to the Financing Agreement, the Authority has leased the Dome to the State, the County and the City (collectively referred to as the "Sponsors") and the Sponsors have subleased the Dome back to the Authority. The payments made by the State, the County and the City under the Financing Agreement are designed to be sufficient to pay the principal of and interest on the respective series of outstanding Bonds, including the Series C 2007 Bonds. The payments made by the Sponsors will not decrease as a result of the refunding of the Refunded Bonds.

Each Sponsor has covenanted in the Financing Agreement to include in its annual budget proposal a request for appropriation of moneys sufficient to pay its required payment during the next succeeding fiscal year. The St. Louis Board of Aldermen has appropriated such moneys for the City's fiscal year July 1, 2006 through June 30, 2007.

The obligations of the Sponsors to make such payments are absolute and unconditional under the Financing Agreement; notwithstanding the foregoing, however, no Sponsor is obligated under the Financing Agreement to appropriate funds or otherwise make payments in any year beyond such Sponsor's then-current fiscal year in which the Financing Agreement is in effect with respect to that Sponsor.

Each Sponsor has covenanted in the Financing Agreement that, to the extent permitted by law, if such Sponsor fails to pay any Sponsor Payment during the term of the Financing Agreement for a period of five business days after the payments are due and payable, determined without regard to whether the term of the Financing Agreement (the "Agreement Term") has been terminated with respect to any Sponsor due to the occurrence of an Event of Non-Appropriation with respect to such Sponsor, then such Sponsor will not, until August 15, 2024, construct, own or operate any enclosed sports stadium with more than 40,000 seats or any convention center facility exceeding 150,000 square feet (other than the existing Cervantes Convention Center, including the southern expansion thereof, Kiel Auditorium and any successor facility operating at the same location, and any public sports facilities which do not charge admission to spectators) within the geographical boundaries of the City of St. Louis or St. Louis County.

The Agreement Term shall terminate as to each Sponsor upon the earliest of the occurrence of any of the following events with respect to such Sponsor: (1) the last day of the fiscal year of a Sponsor during which an Event of Non-Appropriation occurs and continues with respect to such Sponsor; provided, however, that the Agreement Term shall again commence for such Sponsor if, among other things, the Sponsor appropriates all amounts required at the time to be appropriated pursuant to the Financing Agreement and pays all Sponsor Payments of such Sponsor required at the time to have been paid; (2) an Event of Default with respect to such Sponsor and termination of the Agreement Term under the Financing Agreement; or (3) August 1, 2021, which date constitutes the last day of the Agreement Term, or such later date as all Sponsor Payments required pursuant to the Financing Agreement are paid by the respective Sponsor.

Lease of the Dome to the RAMS

The St. Louis Rams Football Partnership ("RAMS"), owner of the St. Louis Rams NFL football team, has certain rights to occupy and use the Dome through March 31, 2025, under an Amended and Restated St. Louis NFL Lease dated January 17, 1995 (the "Lease") among the RAMS, the CVC and St. Louis NFL Corporation ("SLNFL"). Pursuant to Annex 1 to the Lease dated January 17, 1995 among the RAMS, the CVC, the Authority and SLNFL, the CVC and the Authority have agreed to (1) operate, manage, maintain and repair the Dome to a First Class standard (as hereinafter defined) at all times during the term of the Lease and (2) cause the Dome to meet the First Tier standard (as hereinafter defined) on July 31, 2005 and on March 1, 2015. "First Class" standard means that the Dome and each component thereof is to be constructed, operated, maintained and repaired to a first class, superior or excellent standard. "First Tier" standard means that the Dome and each component thereof must be among the top 25% of all NFL football stadia and NFL football facilities, if such NFL football stadia and facilities were to be rated or ranked according to the matter sought to be measured. If the Dome is not maintained to a First Class standard for 60 days following written notice by the RAMS to the CVC (or 5 days during the NFL season), the RAMS must first attempt to remedy such condition and offset the cost thereof against any obligation it has to the CVC under the Lease, and thereafter may terminate the Lease or convert the Lease to an annual term with the RAMS having successive unilateral annual renewal options thereafter until March 31, 2025. If the Dome does not meet the First Tier standard on July 31, 2008 (measured as of July 31, 2005) or on March 1, 2015, the RAMS may by written notice to the CVC convert the Lease to an annual term with the RAMS having successive unilateral renewal options thereafter until March 31, 2025.

Pursuant to a letter agreement between the RAMS and the CVC with respect to the Lease, the test as to what meets the standard of First Tier was to be measured as of July 31, 2005. Under the agreement, certain improvements to the Dome, including improvements to the box suites, suite concourses, club seats, club lounge, club concourses, stadium and playing field lighting and sound and communication systems and the playing field, were completed by July 31, 2005 and the CVC has until July 31, 2008 to make the remaining necessary repairs and improvements to the Dome to meet the First Tier standard. The CVC has submitted a list of proposed improvements (including additional club seats, improvements to the scoreboard, expanded press box facilities and additional advertising space) to the Authority and the Rams that the CVC believes, if made, will cause the Dome to meet the First Tier standard. To date no agreement has been reached with the RAMS as to the nature and extent of the improvements necessary to meet the First Tier standard.

The CVC is requesting that the Authority fund the cost of these improvements. The Authority has approximately $17,500,000 on deposit in the Preservation Fund which, together with additional Sponsor Payments expected to be deposited into the Preservation Fund between now and August 1, 2008, is expected to be available to make improvements necessary to meet the First Tier and First Class standards.

AMERICA'S CENTER: FACILITIES AND OPERATIONS

Overview

America's Center is a multi-purpose facility which includes the Cervantes Convention Center (originally constructed in 1977 with a major expansion completed in 1993), the Edward Jones Dome (constructed in 1995) and the St. Louis Executive Conference Center (originally constructed in 1993 with a major renovation scheduled for completion in January 2007). America's Center is a 2,700,000 square foot facility, including 502,000 square feet of exhibit space, a 28,000 square foot grand ballroom, 82 meeting rooms and a 1,400 seat lecture hall. The Edward Jones Dome, which adjoins the Cervantes Convention Center, is a convention/stadium facility with an approximately 67,000-seat capacity and is home of the St. Louis Rams NFL football team. The 9,500 square foot St. Louis Executive Conference Center is the only facility approved by the International Association of Conference Centers located within a convention center in the United States. More information about the America's Center can be found at www.explorestlouis.com/pdf/bidBook/AmCtrBrochure.pdf.

The CVC's 2005 Annual Report contains certain findings from a study conducted by Donald Phares, professor emeritus of economics and public policy at the University of Missouri-St. Louis, that the CVC and the America's Center contributed more than $2 billion to the local economy in 2004. The study also concluded that approximately 35,000 jobs are associated with the CVC and America's Center-related operations (15,980 in the City and 13,740 in St. Louis County, with the remainder in other parts of the State), and that approximately $799 million in household income is associated with the CVC and the America's Center.

Transportation to and from the America's Center is available via a 46 mile, 87-vehicle MetroLink light rail transit system, the initial phase of which opened in July 1993 and the most recent phase of which opened in August 2006. MetroLink provides transportation to and from Lambert-St. Louis International Airport (located approximately 13 miles west of downtown St. Louis) and downtown St. Louis. A MetroLink station is located two blocks from the America's Center.

Convention and Visitors Commission

America's Center is maintained, operated and managed on an integrated basis by the CVC. The CVC's primary sources of revenue are the proceeds of taxes imposed within the City of St. Louis and St. Louis County on the amount of sales or charges for all sleeping rooms paid by transient guests of hotels and motels. A 3.75% tax on such rooms (the "Convention and Tourism Tax") imposed by the CVC is collected by the City and the County on behalf of the CVC, and is remitted directly to the CVC to be applied in the manner determined by the CVC's members. An additional 3.5% tax on such rooms (the "Sports and Entertainment Tax") imposed by each of the City and the County is subject to annual appropriation by the City of St. Louis Board of Aldermen and the St. Louis County Council, respectively. The CVC is statutorily obligated to apply the portion of the Sports and Entertainment Tax appropriated to it to fund costs associated with the Dome and for other convention and tourism purposes. Historically, the City and the County have used a majority of the proceeds of the Sports and Entertainment Tax to satisfy their respective obligations to make Base Rental Payments and Preservation Payments pursuant to the Financing Agreement. In addition, the County is currently using a portion of its proceeds of the Sports and Entertainment Tax to pay obligations incurred in connection with the construction of the new Busch Stadium for the Cardinals professional baseball team.

Because America's Center is not self-supporting, the CVC relies on the revenues from the Convention and Tourism Tax and the Sports and Entertainment Tax to fund its operations, including the costs of operating and maintaining the Dome. The Operating Lease permits the CVC to terminate the Operating Lease for various reasons, including the failure of the City or the County to appropriate to the CVC that portion of the Sports and Entertainment Tax proceeds that are not used for Base Rental Payments and Preservation Payments. The Authority considers it unlikely that the City or the County would ever fail to appropriate such amounts. Nevertheless, if such amounts are not appropriated, and if as a result the CVC terminates the Operating Lease, the Authority likely would not be able to maintain the current level of operations at the Dome, which in turn might increase the likelihood of non-appropriation of Base Rental Payments and/or Preservation Payments by one or more of the Sponsors.

The CVC acts through a commission of eleven members, five of whom are appointed by the Mayor of the City of St. Louis (with the approval of the St. Louis Board of Aldermen), five of whom are appointed by the County Executive of St. Louis County, and one of whom is appointed by the Governor of the State of Missouri from a panel of three nominees submitted jointly by the Mayor of St. Louis and the County Executive of St. Louis County. Upon the occurrence of an Event of Non-Appropriation or Event of Default under the Financing Agreement with respect to a Sponsor, those members of the CVC who were appointed by that Sponsor are disqualified from voting on any matter, action or resolution to come before the CVC and from participating in any of the business of the CVC so long as an Event of Non-Appropriation or Event of Default continues with respect to such Sponsor.

Service Area

The service area of America's Center depends upon the type of event to be held at the Center. The CVC defines the current service area of America's Center for conferences and consumer shows, as well as for sporting, entertainment and other similar events held in the Edward Jones Dome, as the entire Midwest region within a 300 mile radius of the City of St. Louis.

America's Center, like similar facilities in the Midwest, currently draws trade shows, conventions and assemblies from across the United States. The Midwest region typically has been successful in the convention and trade show market primarily due to the area's concentration of manufacturing and distribution facilities, population centers and central location.

Competition from Other Facilities

Due to its combination of size, amenities, number of and proximity to hotel rooms, and location near the geographic and population center of the United States, the America's Center competes primarily in the convention and trade show market with facilities in the following cities: Atlanta, Chicago, Cincinnati, Columbus, Dallas, Denver, Detroit, Houston, Indianapolis, Kansas City, Louisville, Memphis, Minneapolis, Nashville, Pittsburg and Philadelphia.

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Historical Utilization of the America's Center

Events held at the America's Center have included national and international conventions, major trade shows, public exhibits and consumer events. The America's Center served an estimated 1,747,611 visitors from July 1, 2005 through June 30, 2006, with a total of 35 conventions and major trade shows and 113 consumer shows and meetings. The following table shows the number of attendees at the America's Center over the past ten years (July 1 through June 30):

Year	Attendees
1996-97	1,878,816
1997-98	2,223,116
1998-99	2,218,983
1999-00	2,239,160
2000-01	2,449,620
2001-02	2,172,127
2002-03	1,766,408
2003-04	2,330,458
2004-05	1,933,367
2005-06	1,747,611

Major conventions and trade shows (being those events that resulted in more than 750 hotel sleeping rooms on their peak nights) during the period July 1, 2005 through June 30, 2006 included the following:

Organization	Attendance
Joyce Meyer Ministries	18,000
National Council of Teachers of Mathematics	18,000
Arbonne International	12,000
State Beauty Supply	9,500
American Dietetic Association	8,000
Red Hat Society	6,000
Avon	5,500
Society for Mining, Metallurgy & Exploration	5,500
Home Interiors & Gifts	5,200
Voluntary Hospitals Association	5,000
Door & Hardware Institute	4,500

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Major planned conventions, trade shows and special events and the years in which they will occur include the following:

Organization	Anticipated Total Room Nights
National Baptist Convention (2007)	28,000
NSTA National Annual Convention (2007)	20,000
Nazarene Youth Conference (2007)	13,000
AADE Annual Meeting & Exhibition (2007)	12,000
North American Bridge Championships (2007)	12,000
AME Quadrennial General Conference (2008)	31,000
Shrine of North America (2008)	30,000
Partylite National Conference (2008)	17,000
National Athletic Trainers Meeting & Symposium (2008)	14,000
Alpha Kappa Alpha Sorority (2010)	22,000
United Methodist Women Assembly (2010)	15,000
American Society for Association Executives (2011)	14,000

Source: St. Louis Convention and Visitors Commission.

Forecasted Utilization of the America's Center

The southern expansion to the Cervantes Convention Center, together with the Edward Jones Dome, has increased the capacity for the St. Louis area to host a wide array of events ranging from religious and political assemblies and large trade shows and conventions to small conferences and local events. In addition, the configuration of the facility allows the America's Center to host multiple events simultaneously.

The continued success of the America's Center will depend upon several factors, including quality, management and marketing of the America's Center, the state of the local, regional and national economy, and national security concerns. It is expected that the St. Louis area should be able to retain and enhance its competitive position enabling it to attract a wide array of national, ambulatory conventions with exhibits.

The 9,500 square foot St. Louis Executive Conference Center included in the southern expansion provides a unique dimension to the America's Center. The Conference Center embellishes the overall meeting room block and also can be marketed independently as a location for corporate meetings of local companies, sales and board meetings by companies attending major conventions and trade shows, product introductions for manufacturers, or to host conferences in association with local hotels.

Convention Headquarters Hotel

In 2002 the Renaissance St. Louis Suites Hotel, a four-star 165-room all-suites hotel, opened adjacent to the America's Center, and in 2003 the Renaissance Grand Hotel St. Louis, a four-star 918-room convention headquarters hotel, also opened adjacent to the America's Center. These two hotels (the "Convention Hotels") are managed by Renaissance Hotel Management Company, LLC, which is wholly-owned indirectly by Marriott International, Inc. The Convention Hotels contain over 1,200,000 square feet of space, including an 11,000 square foot Landmark Ballroom, a 20,200 square foot Majestic Ballroom, and 30 meeting rooms. Also constructed adjacent to the Convention Hotels is a new 880-space multi-level parking garage. Downtown St. Louis now offers more than 7,600 hotel rooms within a one mile radius of the America's Center.

A portion of the cost of the Convention Hotels was funded by the issuance by The Industrial Development Authority of the City of St. Louis, Missouri of $39,999,578.60 Compound Interest Leasehold Revenue Bonds, Series 2000. The Series 2000 Bonds are special, limited obligations payable solely out of the rentals and other revenues and receipts derived from the lease of the Cervantes Convention Center by the

St. Louis Municipal Finance Corporation to the City. Under such lease, the City has agreed, subject to annual appropriation, to make payments sufficient for the payment when due of the principal of, redemption premium, if any, and interest on the Series 2000 Bonds. The City has no other obligations with respect to the Convention Hotels. See **"DEBT OF THE CITY - Tax Increment Financing Projects"** in ***Appendix A*** hereto for additional information regarding financings for the Convention Hotels.

THE AUTHORITY

Organization, Powers and Purposes

The Regional Convention and Sports Complex Authority (the "Authority") is a body politic and corporate and a public instrumentality duly organized and existing under the laws of the State of Missouri, including particularly Sections 67.650 to 67.658 of the Revised Statutes of Missouri, as amended (the "Act").

The Authority is empowered 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 the aforementioned purposes. Under the Act, any facility newly constructed by the Authority must be suitable for multiple purposes and designed and constructed to meet NFL franchise standards.

The Authority, in furtherance of the purposes for which it was created, may also borrow, invest, disburse funds and issue bonds. Neither the Commissioners of the Authority nor any person executing the Bonds are personally liable on such Bonds by reason of the issuance thereof. Bonds issued by the Authority will not constitute a debt, liability or obligation of the State or of any political subdivision thereof, including any other Sponsors.

Commissioners

Pursuant to the Act, the Authority shall consist of up to eleven commissioners appointed as follows: up to three commissioners who shall be residents of the City of St. Louis may be appointed by the chief executive (Mayor) of the City of St. Louis with the advice and consent of the Board of Aldermen; up to three commissioners who shall be residents of St. Louis County may be appointed by the chief executive (County Executive) of St. Louis County with the advice and consent of the St. Louis County Council; and up to five commissioners, two of whom shall be residents of the City of St. Louis, two of whom shall be residents of St. Louis County, and one of whom shall be a resident of the City of St. Louis, St. Louis County or a county contiguous to St. Louis County, may be appointed by the Governor of the State of Missouri with the advice and consent of the Senate. Each commissioner shall be a qualified voter of the State of Missouri. Initial members were appointed to staggered terms of office and successor members are appointed for six-year terms. Each commissioner holds office after the expiration of his or her term until a successor is appointed.

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The current commissioners of the Authority are:

Name	**Principal Affiliation**	**Term Expires***
Stephen B. Hoven, *Chairman*	Corporate Vice President, SSM Health Care	5/31/08
Michael A. Garvin, *Vice Chairman*	Attorney, Stinson Morrison Hecker LLP	5/31/02
Harriett F. Woods, *Secretary/Treasurer*	Retired, former Lt. Governor of Missouri	5/31/02
Rodney Boyd	Attorney, Zevan Davidson Farris Stewart LLC	5/31/10
Judith K. Doss	Business Manager, S.J. Associates, Inc.	5/31/12
Gerald T. Feldhaus	Executive Secretary/Treasurer, Building & Construction Trades Council of St. Louis	5/31/04
Jerry M. Hunter	Attorney, Bryan Cave LLP	5/31/10
Thomas J. Irwin	Senior VP-Public Policy, St. Louis Regional Chamber & Growth Association	5/31/12
Linda Palmer	Project Director, Neighborhood Council	5/31/12
Anthony J. Soukenik	Attorney, Sandberg, Phoenix & von Gontard, P.C.	5/31/06
Richard Sullivan, Jr.	Chairman, McBride & Son	5/31/10

*The terms of certain commissioners have already expired. Under the Act, commissioners continue to hold office until their successors are appointed.

Mr. Walter H. Johnson has served as the Authority's Executive Director, Assistant Secretary and Assistant Treasurer since 2005. Prior to that he was the Authority's Project Manager during the design and construction of the Dome from 1992 to 1999. From 1999 to 2005, he served as the Authority's Preservation Fund Manager. Mr. Johnson retired from the United States Army in 1977 with the rank of Colonel. He was a certified Department of Defense Contracting Officer and his assignments included command of the Corps of Engineers Rock Island, Illinois District. Following his military career, Mr. Johnson was the State of Missouri's Director of Design and Construction for eight years and a Vice President of a medium-sized engineering firm in St. Louis, Missouri for five years.

Mr. Harvey M. Weiss has served in an accounting capacity with the Authority since 1993. After an interruption of service of several years, in 2003 he assumed the position as the Authority's Accounting/Support Manager. Prior to joining the Authority, Mr. Weiss headed a consulting firm specializing in business strategic planning, having Fortune 1000 clients as well as international clients as far west as Hong Kong and as far east as Kathmandu, Nepal. His employment history includes IT technical managerial positions with IBM, RCA, GE and Honeywell as well as CFO or IT manager with several manufacturers and distributors.

THE ST. LOUIS METROPOLITAN AREA

This section is intended to provide a general description of the St. Louis Metropolitan Area and not to represent the City or the characteristics of the City.

Overview

The City provides employment and business opportunities and is the commercial, financial, tourist and visitors center for a region roughly equal to the St. Louis Consolidated Standard Metropolitan Statistical Area (the "Metropolitan Area"). The Metropolitan Area consists of the City of St. Louis, the City of Sullivan, in Crawford County, Missouri, and 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 comprises approximately 8,649 square miles, with four interstate highways (I-44, I-55, I-64 and I-70), the I-170 inner beltway and the I-270 and I-255 outer beltways, an extensive network of other federal and state highways and major city and county streets and roadways. The Metropolitan Area is the 18th largest metropolitan area in the United States in terms of population.

The Metropolitan Area is one of the nation's major centers of commerce, education, transportation and manufacturing and has an established and growing tourist industry. It is the leading inland port on the Mississippi River system and is the third largest inland port in the United States in terms of weight shipped or carried through the area. In addition, the Metropolitan Area is one of the nation's largest railroad and major trucking centers. The Metropolitan Area has a population of over 2.7 million including a labor force of over 1.4 million people.

Demographics and Economics

The Metropolitan Area ranks among the nation's largest metropolitan areas in most measures of economic and demographic size. The table below shows the 2006 rankings for the Metropolitan Area when compared to the nation's 20 largest metropolitan areas.

Demographic and Economic Indicators	National Rank
Housing Affordability	2nd
Lowest Cost of Living	3rd
Most Logistics-Friendly City	6th
Most Cost-Competitive Location to do Business	10th
Population	18th

Source: *Greater St. Louis Regional Profile*, Regional Commerce and Growth Association.

The Metropolitan Area has historically ranked among the nation's largest in terms of population. Over the last six decades it has grown by over 68%. The Metropolitan Area's population declined between 1970 and 1980, but the decline has now been reversed. Modest growth has been realized since 1980 and is expected to continue for the foreseeable future.

The following table shows the actual population of the Metropolitan Area for selected years since 1940 (using 1940 as a base year of 100).

Calendar Year	Population	Index of Growth
1940	1,547,281	100
1950	1,806,474	117
1960	2,161,226	140
1970	2,428,655	157
1980	2,376,998	154
1990	2,444,099	158
2000	2,603,607	168
2005	2,786,728	180

(1) Estimate from U.S. Census Bureau 2005, Annual Population Estimates.
Source: United States Bureau of the Census.

The Metropolitan Area is headquarters to 21 of the Fortune 1000 corporations. Eight of these are Fortune 500 corporations. According to the April 2006 issue of *Fortune Magazine*, these eight companies and their national sales rankings for 2005 were as follows:

Company	Sales Ranking	Revenues ($ millions)	Primary Business
Emerson Electric	126	$17,305	Electronic Components
Express Scripts	134	16,266	Pharmacy Benefits Management
Anheuser-Busch	146	15,035	Malt Beverages; Aluminum Products; Amusement Parks
AmerenUE	324	6,780	Utilities
Monsanto	336	6,439	Agricultural Technology
Charter Communications	413	5,254	Cable and other TV Services
Peabody Energy	453	4,644	Coal Producer
Graybar Electric	476	4,288	Electronic Parts and Equipment

Also according to the 2006 *Fortune Magazine* list of America's Fastest Growing Small Public Companies, three companies headquartered in the Metropolitan Area were among the list. Those companies were LaBarge (manufacturer of circuit boards and cable wiring) ranked 21, TALX Corporation (provider of payroll and human resource services) ranked 52, and Reliv International (manufacturer of powered nutritional supplements, weight loss shakes and skin care products) ranked 55.

With more than 50 general practice, teaching and research hospitals, the Metropolitan Area offers some of the best and most accessible health care in the United States. Well-known health care institutions include Barnes-Jewish Hospital, St. Louis Children's Hospital, SSM Cardinal Glennon Children's Hospital, SSM St. Mary's Health Center, St. Anthony's Medical Center, St. Louis University Hospital, St. John's Mercy Medical Center and St. Luke's Hospital. According to the 2006 *U.S. News & World Report* "America's Best Hospitals" issue, Barnes-Jewish Hospital is ranked the 8th best hospital in the nation. In 2004 and 2005, St. Louis Children's Hospital was named one of the nation's 10 best pediatric hospitals by *Child* magazine. The Metropolitan Area also is one of only a few cities in the United States with two prominent medical schools: Washington University School of Medicine and St. Louis University School of Medicine. *U.S. News & World Report* named Washington University School of Medicine the 3rd best medical school in the country in 2006.

The Metropolitan Area is a major center in the United States for the production of automobiles and trucks. Two major U.S. automobile manufacturers, DaimlerChrysler and General Motors, have assembly plants in the Metropolitan Area. The Metropolitan Area provides one-day access to more than 70 automotive and truck assembly plants, and provides access to more than 1,700 automotive parts suppliers within a 600-mile radius, over 150 of which are located in the Metropolitan Area.

The Metropolitan Area, home to companies such as Monsanto, Mallinckrodt, Sigma-Aldrich and Pfizer St. Louis Laboratories, has an active and growing plant and life sciences community, encompassing world-class research institutions, strong plant and medical sciences companies, a fertile technology transfer, incubator and start-up environment, and an active venture capital initiative that provides a full spectrum of capital availability. The St. Louis BioBelt comprises companies engaged in the development and production of medicines, agricultural chemicals, organic chemical manufacturing, medical equipment manufacturing, and research and development. In total, nearly 400 plant and life science enterprises are located in the Metropolitan Area, with over 15,000 employees.

The Metropolitan Area serves as a retail hub, with $30.6 billion of sales in 2005, according to *St. Louis Commerce Magazine*. The Metropolitan Area has a large population and there is relative affluence of that population. According to the United States Bureau of Economic Analysis, the Metropolitan Area per capita personal income of $34,735 in 2004 was 5% higher than that of the United States as a whole.

The Metropolitan Area is served by the Lambert-St. Louis International Airport (the "Airport"), which is owned and operated by the City. The U.S. Department of Transportation ranked the Airport 3rd in on-time departures and 7th for on-time arrivals. The Airport has an estimated $5.1 billion annual impact on the Metropolitan Area. In 2005, there were approximately 288,000 aircraft operations and approximately 14.7 million passengers at the Airport, with approximately 789 average daily arrivals and departures. The Airport is served by Metrolink, the area's light rail system.

St. Louis is the northern-most ice-free port on the Mississippi, Illinois and Missouri Rivers system, with lock-free access to New Orleans and international waterways. Its location at the confluence of the Mississippi and Missouri Rivers and its temperate climate helped it to gain its ranking of third largest among all ports on inland U.S. waterways.

Indicative of the strength of the Metropolitan Area economy is the size of its labor force. According to the Missouri Department of Labor, the civilian labor force numbered 1,460,590 people in 2005, of which 1,380,168 were employed. The following table shows employment by industry groups for 2004.

Industry Group	Percent of Total Employment
Trade, Transport and Utilities	19%
Educational and Health Services	15
Leisure Hospitality and Other Services	15
Professional and Business Services	14
Government	13
Manufacturing	11
Financial Activities	6
Construction & Mining	5
Information	2
Total	100%

Source: St. Louis Regional Chamber and Growth Association.

According to the Missouri Department of Economic Development, the average unemployment rates for the 2005 calendar year were as follows: City - 8.1%; St. Louis County - 5.2%; Metropolitan Area - 5.5%; State of Missouri - 5.4%; and United States - 5.1%.

FINANCIAL STATEMENTS

The financial statements presented in ***Appendix B*** hereto have been extracted from the City's Comprehensive Annual Financial Report for the year ended June 30, 2005. The City neither requested nor received a consent of its independent auditors to the inclusion of its audit report in this Official Statement. Neither the City's independent auditors nor any other independent accountants have examined the City's records, or performed any procedures with respect to the City since the date of the City's audit for the year ended June 30, 2005.

THE TRUSTEE

The Trustee is UMB Bank & Trust, N.A., St. Louis, Missouri. The Trustee has accepted the trusts imposed upon it by the Indenture and has agreed to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but only upon and subject to the express terms and conditions of the Indenture.

The Trustee, prior to the occurrence of an Event of Default under the Indenture and after the curing of all Events of Default under the Indenture which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. If any Event of Default under the Indenture has occurred and is continuing, the Trustee shall exercise such rights and powers vested in it by the Indenture, and shall use the same degree of care and skill in its exercise as a prudent corporate trust officer would exercise or use under the circumstances in the conduct of a corporate trust office.

RATINGS

It is expected that Moody's and S&P will assign the Series C 2007 Bonds the ratings of "Aaa" and "AAA" respectively, based upon the assumption that the Bond Insurance Policy will be issued by Ambac Assurance at the time of delivery of the Series C 2007 Bonds. Such ratings reflect only the views of such rating agencies at the time such ratings are given, and the Authority, the Underwriters and the City make no representations as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from such rating agencies. The City has furnished such rating agencies with certain information and materials relating to the Series C 2007 Bonds and the City that has not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. None of the Underwriters, the Authority, the City, or Ambac Assurance has undertaken any responsibility to bring to the attention of the Bondowners any proposed revision or withdrawal of a rating of the Series C 2007 Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of any rating may have an adverse effect on the market price and marketability of the Series C 2007 Bonds.

LITIGATION

There is not now pending or, to the knowledge of the Authority or the City, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance and delivery of this Official Statement or the Series C 2007 Bonds or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Authority or the City, threatened which in any manner challenges or threatens the powers of the Authority and the City to enter into or carry out the transactions contemplated by the Indenture and the Financing Agreement.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series C 2007 Bonds are subject to the approving legal opinions of Thompson Coburn LLP and Armstrong Teasdale LLP, both of St. Louis, Missouri, Co-Bond Counsel, whose approving opinions will be delivered upon Settlement (as hereinafter defined). See the caption **"DESCRIPTION OF THE FORWARD DELIVERY BOND PURCHASE AGREEMENT - Conditions to Settlement"** herein. 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 Authority by Sonnenschein Nath & Rosenthal LLP, St. Louis, Missouri. Certain legal matters will be passed upon for the City by the

Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, Lewis & Munday, A Professional Corporation, Detroit, Michigan, and Gilmore & Bell, P.C., St. Louis, Missouri.

Co-Bond Counsel have not assisted in the preparation of this Official Statement except for (1) the portions describing the Series C 2007 Bonds contained on the Cover Page hereof, (2) the sections entitled **"INTRODUCTION - The Series C 2007 Bonds," "INTRODUCTION - Security for the Series C 2007 Bonds," "PLAN OF FINANCING - Refunding of the Refunded Bonds," "THE SERIES C 2007 BONDS," "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES C 2007 BONDS," "APPROVAL OF LEGAL PROCEEDINGS"** and **"TAX MATTERS,"** and (3) ***Appendices C, D*** and ***E***. Except for such portions and sections, Co-Bond Counsel express no opinion as to the sufficiency or accuracy of any material or information, including financial and statistical information, included herein.

TAX MATTERS

General

The opinions of Thompson Coburn LLP and Armstrong Teasdale LLP, Co-Bond Counsel, to be delivered upon the issuance of the Series C 2007 Bonds and a form of which is attached hereto as ***Appendix E***, will state that, under existing law, interest on the Series C 2007 Bonds is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, as amended. No opinion is expressed regarding the applicability with respect to the Series C 2007 Bonds or the interest on the Series C 2007 Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

In addition, the opinions of Co-Bond Counsel will state that under existing law the Series C 2007 Bonds are not "specified private activity bonds" within the meaning of the alternative minimum tax provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and, accordingly, interest on the Series C 2007 Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax on corporations and other taxpayers, including individuals. However, interest on the Series C 2007 Bonds will be included in a corporate taxpayer's adjusted current earnings preference item for purposes of determining its federal alternative minimum tax liability. Furthermore, the Series C 2007 Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code (relating to financial institution deductibility of interest expense).

Co-Bond Counsel's opinions will be conditioned on continuing compliance with the covenants in the Indenture, the Financing Agreement, the Escrow Trust Agreement and the Tax Agreement to comply with the requirements of the Code as to the exclusion of interest on the Series C 2007 Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the Authority, the City and others, with respect to matters solely within their knowledge, which Co-Bond Counsel has not independently verified. Failure to comply with such covenants or the requirements of the Code, or the foregoing representations being determined to be inaccurate or incomplete, may cause interest on the Series C 2007 Bonds to be included in gross income of the Bondholders for federal income tax purposes and not be exempt from income taxes imposed by the State of Missouri retroactive to the date of issuance of the Series C 2007 Bonds. Co-Bond Counsel have not been retained to monitor compliance with requirements such as described above subsequent to the issuance of the Series C 2007 Bonds. In addition, the Indenture, the Financing Agreement and the Escrow Trust Agreement do not require the Authority to redeem the Series C 2007 Bonds or to pay any additional interest or penalty in the event that interest on the Series C 2007 Bonds becomes taxable.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences arising with respect to the Series C 2007 Bonds.

Prospective purchasers of the Series C 2007 Bonds should be aware that the ownership of the Series C 2007 Bonds may result in other federal (and, in some cases, state and local) tax consequences to certain taxpayers, including, without limitation, financial institutions, insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with excess net passive income, foreign corporations subject to the branch profits tax, taxpayers who have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocated to the Series C 2007 Bonds, individuals who may be eligible for the earned income credit, owners who dispose of any Series C 2007 Bond prior to its stated maturity (whether by sale or otherwise) and owners who purchase any Series C 2007 Bond at a price different from its initial offering price. Prospective purchasers of the Series C 2007 Bonds should consult their own tax advisors as to the applicability and the impact of any such other tax consequences and the status of interest on the Series C 2007 Bonds under state or local laws other than those of the State of Missouri.

Under the Code, all taxpayers are required to report on their federal income tax returns the amount of interest received or accrued during the year that is excluded from gross income for federal income tax purposes. This requirement applies to interest on all tax-exempt bonds, including, but not limited to, the Series C 2007 Bonds. Also, effective for tax-exempt interest paid after December 31, 2005, the recently enacted Tax Increase Prevention and Reconciliation Act of 2005 generally subjects payors (including paying agents and other middlemen and nominees) of tax-exempt interest (such as the interest on the Series C 2007 Bonds) to the same federal income tax interest payment information return and payee statement filing and recordkeeping requirements as are applicable to taxable interest.

Prospective purchasers of the Series C 2007 Bonds should also be aware that proposed legislation is from time to time considered by the United States Congress that, if enacted, may adversely affect the federal tax consequences of ownership or disposition of, and, whether or not enacted, may adversely affect the value of, tax-exempt obligations, such as the Series C 2007 Bonds.

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel's knowledge of facts as of the date thereof. Co-Bond Counsel assume no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective.

Premium

An amount equal to the excess of the purchase price of a Series C 2007 Bond over its stated redemption price at maturity constitutes premium on such Series C 2007 Bond. A purchaser of a Series C 2007 Bond must amortize any premium over such Series C 2007 Bond's term using constant yield principles, based on the Bond's yield to maturity. As premium is amortized, the purchaser's basis in such Series C 2007 Bond and amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series C 2007 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Owners of Series C 2007 Bonds who purchase at a premium (whether at the time of initial issuance or subsequent thereto) should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to other federal, state, local and foreign tax consequences of owning or disposing of such Series C 2007 Bonds.

EXEMPTION FROM REGISTRATION

In the opinions of Lewis & Munday, A Professional Corporation and Gilmore & Bell, P.C., Co-Counsel to the Underwriters, the Series C 2007 Bonds are exempt securities under Section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and the offer and sale thereof do not require registration under the Securities Act or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended. No opinions are expressed with respect to the necessity of registering the Series C 2007 Bonds under the "Blue Sky" or securities laws of any state.

FINANCIAL ADVISORS

Public Financial Management, Inc., Minneapolis, Minnesota (the "Authority's Financial Advisor"), and P.G. Corbin & Company, Inc., Philadelphia, Pennsylvania (the "City's Financial Advisor") have been retained as financial advisors to render certain professional services to the Authority and the City, respectively, including rendering advice on the plan of financing and structure of the Series C 2007 Bonds. The Authority's Financial Advisor and the City's Financial Advisor have read and participated in the preparation of this Official Statement, but have not independently verified the financial, technical or statistical information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Barthe & Wahrman, Bloomington, Minnesota, a firm of independent certified public accountants, upon delivery of the Series C 2007 Bonds, will deliver to the Authority and the Underwriters a report stating that the firm, at the request of the Authority, has verified the arithmetical accuracy of certain computations based on assumptions provided to it by the Underwriters relating to the sufficiency of anticipated net cash flow from the Escrowed Securities and the uninvested funds in the Escrow Fund - 2007 to pay the maturing principal or redemption price of and interest on the Refunded Bonds on August 15, 2007. Barthe & Wahrman expresses no opinion on the attainability of the assumptions, the related cash flow projections or the tax status of the Series C 2007 Bonds.

UNDERWRITING

The Series C 2007 Bonds are to be purchased by a syndicate managed by Morgan Stanley & Co. Incorporated, as representative (the "Representative") of the managing underwriters identified on the cover page hereof and on behalf of itself (the "Managers") (the Managers and any other syndicate members collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the Series C 2007 Bonds at an aggregate purchase price of $53,303,502.62 (which is equal to the principal amount of the Series C 2007 Bonds plus an original issue premium of $4,141,878.70 less underwriting discount of $423,376.08). The Underwriters will be obligated to purchase all of the Series C 2007 Bonds if any are purchased. The Underwriters have advised the Authority that they intend to make a public offering of the Series C 2007 Bonds at the initial public offering prices set forth on the inside cover page hereof, provided, however, that the Underwriters have reserved the right to make concessions to dealers and to change such initial public offering prices as the Underwriters shall deem necessary in connection with the marketing of the Series C 2007 Bonds.

DESCRIPTION OF FORWARD DELIVERY BOND PURCHASE AGREEMENT

The Authority expects to issue and deliver the Series C 2007 Bonds on a forward delivery date, which is expected to be on or about May 17, 2007. Each investor placing an order for the Series C 2007 Bonds which is accepted by the Underwriters will be required to execute a forward delivery contract (a "Delivery Contract"), in substantially the form set forth in ***Appendix F*** hereto. The Authority will enter into a Forward Delivery Bond Purchase Agreement (the "Purchase Agreement") with the Underwriters for the sale and purchase of the Bonds on the forward delivery date.

The following discussion summarizes certain provisions of the Delivery Contract and of the Purchase Agreement. A prospective investor should read the entire Delivery Contract.

Forward Delivery Contract with Prospective Bondowners

In the Delivery Contract, the investor acknowledges review of this Official Statement in its entirety and that its order was placed with full knowledge and understanding of the forward closing conditions and risks; the investor also agrees that it is obligated to purchase the Series C 2007 Bonds that are subject to the order, so long as the conditions of the Purchase Agreement for the forward delivery of the Series C 2007 Bonds are satisfied.

Settlement

On or about May 17, 2007, or on such date as may be mutually agreed upon by the Authority and the Representatives, the Authority will, subject to the terms and conditions of the Purchase Agreement, deliver the Series C 2007 Bonds to the Underwriters and deliver or cause to be delivered to the Underwriters the other documents, opinions, certificates, and instruments required by the Purchase Agreement (the "Settlement Documents"), including an updated Official Statement (the "Supplement to Official Statement") relating to the Series C 2007 Bonds. Subject to the terms and conditions of the Purchase Agreement, the Underwriters will accept such delivery and pay the purchase price for the Series C 2007 Bonds. All the foregoing described transactions are referred to herein as the "Settlement", and the date upon which such transactions are consummated is referred to herein as the "Settlement Date".

The Authority will have no obligation to issue, sell, and deliver the Series C 2007 Bonds, and the Underwriters will have no obligation to purchase the Series C 2007 Bonds if, because of a Change in Law (defined below), such issuance, sale, and delivery would be illegal as to the Authority. In such event, the Authority will have no liability whatsoever for its failure to issue, sell, and deliver the Series C 2007 Bonds, and the Underwriters will have no liability for their failure to purchase the Series C 2007 Bonds.

In addition, as described below under **"DESCRIPTION OF FORWARD DELIVERY BOND PURCHASE AGREEMENT - Termination of Purchase Agreement"**, the Representative, on behalf of the Underwriters, may terminate the Purchase Agreement, without liability, by notification to the Authority, if at any time on or prior to the Settlement Date there occurs an event comprising a Change in Law.

Conditions to Settlement

General

The Settlement and the issuance of the Series C 2007 Bonds will not require further action by the Authority, other than the satisfaction of the specific conditions of the Purchase Agreement, including delivery of the Settlement Documents. The Settlement Documents include, among other items, the opinions of Co-Bond Counsel in substantially the form set forth in ***Appendix E***, certain other opinions of Co-Bond Counsel and Co-Counsel to the Underwriters, and certificates of the Authority as to the completeness and accuracy of the Supplement to Official Statement. The Purchase Agreement requires the Authority to prepare the Supplement to Official Statement as of a date between April 27, 2007 and May 17, 2007 (inclusive) and to furnish it to the Underwriters.

THE PURCHASE AGREEMENT DOES NOT PERMIT THE UNDERWRITERS TO REFUSE TO ACCEPT DELIVERY OF AND PAY FOR THE SERIES C 2007 BONDS BECAUSE OF ANY ADVERSE CHANGE IN THE FINANCIAL CONDITION OR OPERATIONS OF THE AUTHORITY OR THE CITY; RATHER, IT PERMITS SUCH REFUSAL ONLY IF ANY SUCH CHANGE HAS NOT BEEN ACCURATELY AND COMPLETELY DESCRIBED IN THE SUPPLEMENT TO OFFICIAL STATEMENT OR IN A SUPPLEMENT OR AMENDMENT TO THE SUPPLEMENT TO OFFICIAL STATEMENT OR IF SUCH CHANGE WOULD CAUSE THE AUTHORITY OR ANOTHER PARTY TO BE UNABLE TO DELIVER ANY OF THE SETTLEMENT DOCUMENTS IN THE FORM AND SUBSTANCE PROVIDED FOR IN THE PURCHASE AGREEMENT.

FAILURE TO COMPLETE THE REQUIREMENTS OF THE SETTLEMENT, INCLUDING FAILURE OF THE AUTHORITY TO DELIVER ANY OF THE SETTLEMENT DOCUMENTS IN THE FORM AND SUBSTANCE PROVIDED FOR IN THE PURCHASE AGREEMENT (UNLESS SUCH FAILURE IS WAIVED BY THE REPRESENTATIVE), WILL MEAN THAT THE SERIES C 2007 BONDS WILL NOT BE ISSUED AND DELIVERED. THE REPRESENTATIVE HAS THE RIGHT, BUT IT IS UNDER NO OBLIGATION, TO WAIVE ANY SUCH FAILURE.

Issuance of Legal Opinions

It is a condition to the issuance of the Series C 2007 Bonds on the Settlement Date that Co-Bond Counsel deliver their approving opinions in substantially the form attached hereto as ***Appendix E***, as described under the heading **"DESCRIPTION OF THE FORWARD DELIVERY BOND PURCHASE AGREEMENT - Conditions to Settlement"**.

The ability of Co-Bond Counsel to deliver such opinions on the Settlement Date is subject to their review and analysis at that time of certain matters, including, among others, the application of the proceeds of the Series C 2007 Bonds and pertinent provisions of the Act, federal income tax and securities laws, regulations, rulings, and court decisions, including, but not necessarily limited to, state law and securities laws then in effect or proposed to be in effect. Co-Bond Counsel have advised the Authority and the Underwriters that, assuming satisfaction by the Authority and the Underwriters of their respective obligations to be satisfied in the Purchase Agreement, and the issuance of the Series C 2007 Bonds, and no change in any applicable law, regulations, or rulings, or in interpretations thereof, or in any other facts or circumstances (tax or otherwise) which, in Co-Bond Counsel's view, affect or are material to their opinions (including without limitation, the existence of any litigation), Co-Bond Counsel expect to be able to issue, on the Settlement Date, opinions substantially in the form set forth in ***Appendix E***.

In addition, to deliver such opinions, Co-Bond Counsel will require appropriate certifications and representations to establish the Authority's reasonable expectations. Although the Authority is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Purchase Agreement on the Settlement Date, no assurances can be made that there will be no change in any applicable law, regulations, or rulings, or in interpretations thereof, prior to the Settlement Date. Furthermore, no assurance can be made that the facts and circumstances that are material to such opinion will not differ, as of the Settlement Date, from those that are currently expected, or that such certifications and representations will be delivered and made in connection with the issuance of the Series C 2007 Bonds. As a consequence of any of the foregoing, Co-Bond Counsel may be unable to render such opinions.

Bond Insurance Policy

It is also a condition to the issuance of the Series C 2007 Bonds on the Settlement Date that the Bond Insurance Policy for the Series C 2007 Bonds in substantially the form attached as ***Appendix G*** hereto be issued by Ambac Assurance or a Substitute Insurer (as hereinafter defined). The Authority has received from Ambac Assurance a Forward Commitment for Financial Guaranty Insurance (the "Commitment"), pursuant to which Ambac Assurance has agreed, upon the terms and conditions set forth therein (including the payment of the premium for the Bond Insurance Policy), to issue the Bond Insurance Policy on the Settlement Date. The Authority is not aware of any reason why the Bond Insurance Policy will not be issued on the Settlement Date. For a discussion regarding the Bond Insurance Policy and Ambac Assurance, see **"BOND INSURANCE"** herein.

If at any time between the date of execution of the Purchase Agreement and the Settlement Date, any of the financial strength ratings assigned to Ambac Assurance as set forth under the caption **"BOND INSURANCE"** are withdrawn or are lowered, the Authority has the right to obtain a commitment from one or more providers reasonably acceptable to the Representative (each a "Substitute Insurer") to issue one or more policies of municipal bond insurance in customary form, on the Settlement Date, assuring the timely payment when due of principal of and interest on the Series C 2007 Bonds, provided that the insured ratings on the Series C 2007 Bonds on the Settlement Date shall be at least as high as the corresponding insured ratings set forth under the caption **"BOND INSURANCE."**

Ratings

It is also a condition to the issuance of the Series C 2007 Bonds on the Settlement Date that the Series C 2007 Bonds be rated, as of the Settlement Date, "Aaa" by Moody's and "AAA" by S&P based upon, and solely as a result of, the issuance of the Bond Insurance Policy on the Settlement Date.

As described above, the Purchase Agreement does not permit the Underwriters to refuse to accept delivery of and pay for the Series C 2007 Bonds because of any adverse change in the financial condition or operations of the Authority or the City. Accordingly, it is not a condition to the Settlement that any of the rating agencies confirm any underlying ratings of the Authority or the City.

Termination of Purchase Agreement

The Representative, on behalf of the Underwriters, may terminate the Purchase Agreement, without liability, by notification to the Authority if, at any time on or before the Settlement Date there occurs an event comprising a Change in Law.

A "Change in Law" is defined in the Purchase Agreement and the Delivery Contract as:

(i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations, or other pronouncements or interpretations by federal or state agencies;

(ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Settlement Date);

(iii) any rule or regulation proposed or enacted by any governmental body, department, or agency (if such proposed or enacted rule or regulation has a proposed effective date which is on or before the Settlement Date); or

(iv) any judgment, ruling, or order issued by any court or administrative body,

which in any such case, would:

(A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from:

(1) accepting delivery of and paying for the Series C 2007 Bonds in accordance with the provisions of the Purchase Agreement; or

(2) selling the Series C 2007 Bonds or beneficial ownership interests therein to bona fide purchasers; or

(B) as to the Authority, would:

(1) make the issuance, sale, or delivery of the Series C 2007 Bonds illegal (or have the retroactive effect of making such issuance, sale, or delivery illegal, if enacted, adopted, passed, or finalized); or

(2) eliminate the exclusion from gross income of interest on the Series C 2007 Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed, or finalized); or

(3) require the Series C 2007 Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified under the Trust Indenture Act of 1939, as amended,

provided, however, that such change in or addition to law, legislation, rule or regulation, or judgment, ruling, or order shall have become effective, been enacted, introduced, or recommended, or been proposed or been issued, as the case may be, subsequent to the date of the Purchase Agreement. IF A CHANGE OR ADDITION TO LAW, LEGISLATION, RULE OR REGULATION, OR JUDGMENT, RULING OR ORDER INVOLVES THE ENACTMENT OF LEGISLATION WHICH ONLY DIMINISHES THE VALUE OF, AS OPPOSED TO ELIMINATING THE EXCLUSION FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, OF INTEREST PAYABLE ON “STATE OR LOCAL BONDS”, THE AUTHORITY MAY, NONETHELESS, BE ABLE TO SATISFY THE REQUIREMENTS FOR THE DELIVERY OF THE SERIES C 2007 BONDS. IN SUCH EVENT, PURCHASERS WOULD BE REQUIRED TO ACCEPT DELIVERY OF THE SERIES C 2007 BONDS.

Other Investment Considerations

Events which may occur prior to the Settlement Date may have significant consequences to investors who have agreed to purchase the Series C 2007 Bonds on the Settlement Date. The values of the Series C 2007 Bonds of each maturity on the Settlement Date will likely be greater or less than the purchase prices therefor, and such differences may be substantial. Several factors may adversely affect such values including, but not limited to, a general increase in interest rates for all obligations and other indebtedness, any threatened or adopted change in the federal income tax laws affecting the relative benefits of owning tax-exempt securities versus other types of investments, such as fully taxable obligations, or any adverse development with respect to the Authority’s or the City’s results of operations, financial condition, or prospects or with respect to the ratings of the City’s general obligations or the Series C 2007 Bonds. In addition, changes or proposed changes in federal income tax laws or regulations or interpretations thereof could affect the market value of tax-exempt securities generally, including, without limitation, the Series C 2007 Bonds, without preventing the delivery of the Series C 2007 Bonds at the Settlement.

Secondary Market Risk

The Underwriters are not obligated to make a secondary market in the Series C 2007 Bonds. No assurance is given that a secondary market will exist for the Series C 2007 Bonds before the Settlement Date, and investors should assume that the Series C 2007 Bonds will be illiquid during that period.

Market Value Risk

The market value of the Series C 2007 Bonds on the Settlement Date could be greater or less than the purchase price paid by an investor, and the difference could be substantial. Changes in market value of the Series C 2007 Bonds could result from general market conditions or other factors, including changes in the financial condition or operations of the Authority or the City. Neither the Underwriters nor the Authority make any representation as to the market price of the Series C 2007 Bonds as of the Settlement Date.

CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") to make available certain financial information on an ongoing basis while the Series C 2007 Bonds remain outstanding, in accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission. *The following is a summary of certain provisions contained in the Continuing Disclosure Agreement and is qualified in its entirety by reference to the Continuing Disclosure Agreement.*

Definitions

In addition to the definitions set forth in the Indenture, the following capitalized terms have the following meanings:

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series C 2007 Bonds (including persons holding Series C 2007 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series C 2007 Bonds for federal income tax purposes.

"Central Post Office" means DisclosureUSA, any successor thereto, or any other conduit entity recognized, authorized or approved by the Securities and Exchange Commission for the submission of Annual Reports and Listed Events to the Repositories.

"Dissemination Agent" means UMB Bank & Trust, N.A., acting in its capacity as Dissemination Agent under the Continuing Disclosure Agreement, or any successor Dissemination Agent designated in writing by the City.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" means any of the original underwriters of the Series C 2007 Bonds required to comply with the Rule in connection with offering of the Series C 2007 Bonds.

"Repository" means each National Repository and each State Repository.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" means any public or private repository or entity designated by the State of Missouri as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Continuing Disclosure Agreement, there is no State Repository.

Provision of Annual Reports

Not later than 180 days after the end of the City's fiscal year (which currently ends on June 30 of each year), commencing with the fiscal year ending June 30, 2007, the City shall, or shall cause the Dissemination Agent to, provide to each Repository the following financial information and operating data (the "Annual Report"):

(1) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(2) Updates as of the end of the prior fiscal year of certain financial information and operating data contained in ***Appendix A*** to this Official Statement in the tables under the captions:

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

(b) FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS: "General Revenue Fund Expenditures";

(c) GENERAL REVENUE RECEIPTS: "General Revenue Fund Receipts by Category," "Earnings Tax," "Franchise Tax," "Sales and Use Tax," "Gross Receipts Tax," "Motor Vehicle Sales Tax," "Motor Fuel Tax," "Real and Personal Property Taxes," "Payroll Tax," "Other Taxes," "License Fees," "Departmental Receipts" and "Operating Transfers";

(d) INSURANCE; and

(e) RETIREMENT SYSTEMS.

Not later than 15 Business Days prior to the date specified for providing the Annual Report to the Repositories, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent).

The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(2) notify the City each year not later than 90 days and again not later than 30 days prior to the date for providing the Annual Report to the Repositories, of the date on which its Annual Report must be provided to the Dissemination Agent or Repositories; and

(3) unless the City has certified in writing that the City (or another entity on behalf of the City) has provided the Annual Report to the Repositories, then promptly following receipt of the Annual Report and instructions required above, provide the Annual Report to the Repositories as set forth above and file a report with the City certifying that the Annual Report has been provided pursuant to the Continuing Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

Reporting of Significant Events

The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series C 2007 Bonds, if material ("Listed Events"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) modifications to rights of Bondowners;

(4) optional, contingent or unscheduled bond calls;

(5) defeasances;

(6) rating changes;

(7) adverse tax opinions or events affecting the tax-exempt status of the Series C 2007 Bonds;

(8) unscheduled draws on debt service reserves reflecting financial difficulties;

(9) unscheduled draws on credit enhancements reflecting financial difficulties;

(10) substitution of credit or liquidity providers, or their failure to perform;

(11) release, substitution or sale of property securing repayment of the Series C 2007 Bonds; or

(12) an Event of Non-Appropriation by the City.

Whenever the City obtains knowledge of the occurrence of a Listed Event, due to a notice from the Dissemination Agent or otherwise, the City shall promptly notify and instruct the Dissemination Agent in writing to report the occurrence.

If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall promptly file a notice of such occurrence with (1) each National Repository or (2) the Municipal Securities Rulemaking Board and the State Repository, if any, with a copy to the City, the Trustee and the Participating Underwriters. Notwithstanding the foregoing, notice of Listed Events described in (4) and (5) above need not be given any earlier than the notice (if any) of the underlying event is given to the owners of affected Series C 2007 Bonds pursuant to the Indenture.

Central Post Office

The Dissemination Agent shall use the Central Post Office for the submission of Annual Reports and Listed Events for so long as there is any Central Post Office recognized, authorized or approved by the Securities and Exchange Commission. Submission of an Annual Report or a Listed Event by the Dissemination Agent to the Central Post Office shall be deemed to satisfy the Dissemination Agent's obligations under the Continuing Disclosure Agreement with respect to that Annual Report or Listed Event.

Termination of Reporting Obligation

The City's obligations under the Continuing Disclosure Agreement will terminate upon the legal defeasance, prior redemption or payment in full of all of the Series C 2007 Bonds.

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 appointed under the Continuing Disclosure Agreement is UMB Bank & Trust, N.A.

Amendment; Waiver

The City and the Dissemination Agent may amend the Continuing Disclosure Agreement and any provision of the Continuing Disclosure Agreement may be waived, provided that the City receives an opinion of counsel with federal securities law experience to the effect that the Continuing Disclosure Agreement, as so amended, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Agreement.

Default

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Dissemination Agent or the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of the Series C 2007 Bonds Outstanding, shall) or any Beneficial Owner of the Series C 2007 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the 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.

Beneficiaries

The Continuing Disclosure Agreement inures solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters and the Beneficial Owners from time to time of the Series C 2007 Bonds, and creates no rights in any other person or entity.

CERTAIN RELATIONSHIPS AMONG THE PARTIES

Armstrong Teasdale LLP and Gilmore & Bell, P.C. have served as counsel to the City with respect to financing matters and other matters from time to time but neither firm is representing the City in connection with the issuance of the Series C 2007 Bonds. Thompson Coburn LLP has represented certain of the Underwriters and the Trustee from time to time but has not represented them in connection with the issuance of the Series C 2007 Bonds.

MISCELLANEOUS

References herein to the Indenture, the Financing Agreement, the Continuing Disclosure Agreement and the Series C 2007 Bonds are brief discussions of certain provisions thereof. Such outlines do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions. Copies of these documents are on file at the offices of Morgan Stanley & Co. Incorporated in New York, New York, and following delivery of the Series C 2007 Bonds will be on file at the corporate trust office of the Trustee in St. Louis, Missouri.

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

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

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

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

REGIONAL CONVENTION AND SPORTS COMPLEX AUTHORITY

By: /s/ Stephen B. Hoven
Stephen B. Hoven, Chairman

Approved:

THE CITY OF ST. LOUIS, MISSOURI

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

By: /s/ Darlene Green
Darlene Green, Comptroller

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APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI

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APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI

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APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI

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

ORGANIZATION AND GOVERNMENT

General

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

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

Government

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

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

The Comptroller is the City's chief fiscal officer, and is elected at large for a four-year term. The Comptroller is, by Charter, 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 708 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 School District of the City of St. Louis currently has a "provisional accreditation" rating from the Missouri Department of Elementary and Secondary Education.

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, a portion of which is paid to ConnectCare. In Fiscal Year 2006, the City made $5 million in payments to ConnectCare. 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 level of employment, salaries, holidays, vacations, pensions and other employment benefits of the police force are set by State statute. The Police Board 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 (Metro) is a body corporate and politic established by a compact between the states of Missouri and Illinois and approved by an Act of Congress. The Bi-State Development Agency has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, 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 the Bi-State Development Agency. In August 1994, an additional 1/4 cent sales tax was approved by the voters for the expansion of the MetroLink system, a transportation system within the City, St. Louis County, East St. Louis and Belleville, Illinois. The Bi-State Development Agency operates the MetroLink system between Belleville, Illinois and the Airport 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 the Bi-State Development Agency. The City presently has no legal obligation to increase its level of funding to the Bi-State Development Agency.

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 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

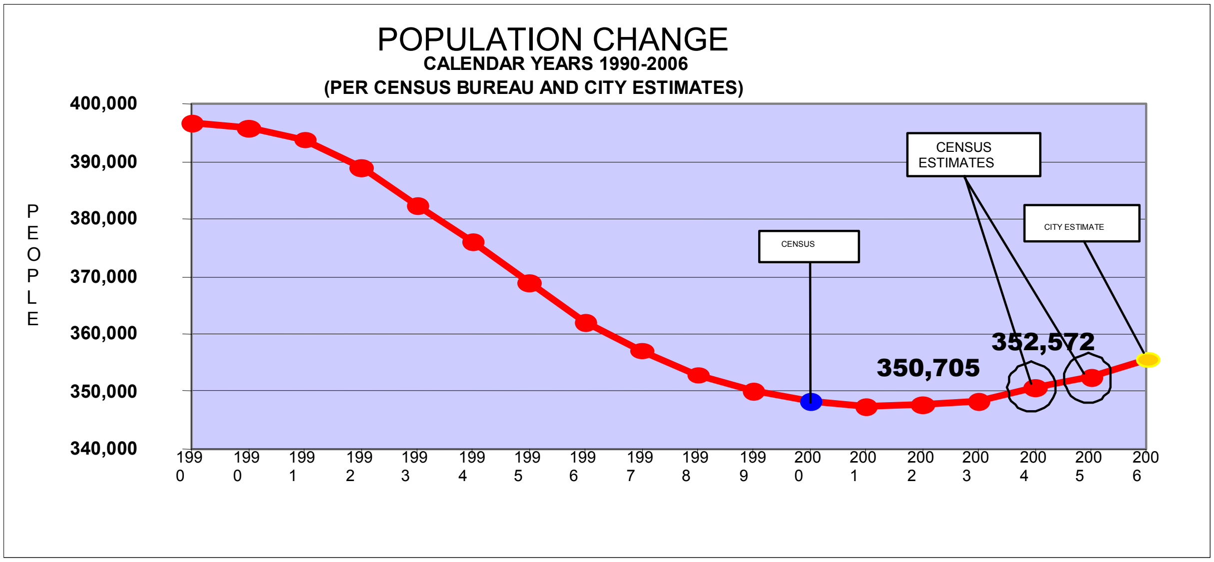
Population Statistics

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 is growing for the first time in over 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	2,603,607
2001	347,954	2,624,813
2002	347,252	2,640,166
2003	348,039	2,657,837
2004	350,075	2,667,862
2005	352,572	2,786,728

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.



Industry

There are approximately 88,000 employees working in downtown St. Louis. The downtown area is the office center in a region of approximately 2.7 million residents with over 13 million square feet of Class A and B office space. 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. Thirteen 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, over 40 new street level retail stores, new hotels, new restaurants and newly rehabilitated office space are creating a "24/7" environment. The City believes the new ballpark 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 of 2006 with an award for significant transformation of the City's downtown.

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, 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 74,000 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, including the appointment of Dan Dierdorf as Chairman of the Board of the CVC, and the recruitment of a new CVC President with extensive experience in the national convention booking arena.

The City ranks as the third largest inland port in the United States handling more than 32 million tons of freight each year. The Airport had approximately 288,000 commercial aircraft operations (arrivals and departures) and approximately 14.7 million enplaned and deplaned passengers in 2005. 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 this year. 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. A new director for the Airport also was recruited in 2005, and the recommendations of the Airport Task Force are in the process of being implemented under his leadership.

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 June 2006 data shows that manufacturing jobs represented 10.26% or 139,800 of the total 1,362,900 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 2005.

CITY EMPLOYMENT BY INDUSTRY GROUP
(TOTAL NON-FARM)

Industry Group	Employees	Percentage
Services	114,199	53.3
Government	36,108	16.9
Manufacturing	20,180	9.4
Finance, Insurance and Real Estate	10,695	5.0
Wholesale Trade	9,813	4.6
Retail Trade	9,497	4.4
Transportation	6,182	2.9
Construction and Mining	7,562	3.5
Total	214,236	100.0%

Source: Missouri Department of Labor and Industrial Relations.

There were 214,236 non-farm jobs within the City in December 2005, representing 15% of the region's job base. Job growth in the City has been concentrated in the service sector and the City anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education and the tourism and convention business.

Employment Rates

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

	March 2006*	Average 2005	Average 2004	Average 2003	Average 2002
Labor Force	158,759	156,047	163,352	161,963	158,178
Number Employed	147,374	141,604	146,431	145,616	142,749
% City Unemployed	7.2%	8.1%	10.4%	10.1%	9.8%
% State Unemployed	4.5%	5.4%	5.7%	5.6%	5.5%
% U.S. Unemployed	4.7%	5.1%	5.4%	6.0%	5.8%

* 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.

TOP 20 EMPLOYERS -- 2005

Name	Employees
BJC Health System	15,059
Washington University	12,278
St. Louis University	9,223
City of St. Louis	9,064
St. Louis Board of Education	7,649
AT&T (formerly SBC)	6,405
U.S. Postal Service	6,400
State of Missouri	5,582
Tenet Health System	5,426
Anheuser Busch	5,022
A.G. Edwards & Sons, Inc.	5,014
May Company†	4,789
Defense, Finance & Accounting Service*	3,359
National Finance Center	3,306
Bank of America	2,806
Ameren Corporation	2,668
Schnucks Markets	2,429
Bi-State Development Agency	2,390
Junior College District	2,352
Veterans Administration	2,319

† May Company was acquired by Federated Department Stores, Inc. in August 2005.
* Federal payroll agency. The Federal government withholds on 17,922 employees total.

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 2005.

TOP 20 TAXPAYERS
EARNINGS TAX -- 2005 CALENDAR YEAR

Company Name	Amount Paid
Anheuser Busch	$5,812,092
Washington University	4,921,558
AT&T	4,600,913
BJC Health System	3,897,429
City of St. Louis	3,066,284
A.G. Edwards & Sons, Inc.	2,744,543
St. Louis University	2,455,382
United States Postal Service	2,116,674
May Company[†]	2,039,819
St. Louis Board of Education	2,034,026
Defense Finance & Accounting Service	1,916,944
Ameren Corporation	1,587,832
National Finance Center	1,490,703
Sigma Aldrich	1,459,354
State of Missouri	1,229,006
Tyco Healthcare Group	1,178,430
Nestlé Purina	1,105,754
Peabody Holding Company	950,340
Veterans Administration	893,974
RightChoice Managed Care	875,658

[†] 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 -- 2005 CALENDAR YEAR

Company Name	Amount Paid
AT&T	$2,095,531
Anheuser Busch	1,940,872
A.G. Edwards & Sons, Inc.	1,335,706
May Company†	985,920
Ameren Corporation	607,562
Nestlé Purina	537,855
Bank of America	450,299
Sigma Aldrich	414,286
Tenet Health Systems	379,682
Thompson Coburn LLP	362,500
St. Louis Cardinal LP	353,963
Tyco Healthcare Group	351,634
US Bank NA	347,479
RightChoice Managed Care	319,996
Peabody Holding Company	305,455
Laclede Gas	283,519
St. Louis Post-Dispatch LLC	281,711
Bryan Cave LLP	177,961
Solae LLC	151,729
Schnucks Markets	97,605

† 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 -- 2005 CALENDAR YEAR

Company Name	Amount Paid
AmerenUE	$5,725,917
Anheuser Busch	5,599,196
Laclede Gas	3,882,472
SBC Communications	3,714,591
UGP-Kiener/Stadium Parking LLC	2,004,929
First States Investor	1,928,869
AGE Properties	1,811,693
Metropolitan Square & East 10th St. LLC	1,757,046
Mercantile Bank	1,711,138
Tenet Health System	1,484,433
Union Station Holdings Inc.	1,180,402
Ralston Purina	1,149,574
Mallinckrodt	810,405
Sigma Chemical Corporation	780,065
Seven-Seventeen Redevelopment	717,818
Equitable Broadway	606,360
Gateway Stadium LLC	546,860
Kingsdell, LP	493,005
Hampton Village Association	478,272
Laclede Towers Association	419,029

Source: City Collector of Revenue.

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TOP 20 TAXPAYERS
PERSONAL PROPERTY TAX -- 2005 CALENDAR YEAR

Company Name	Amount Paid
SBC Service Inc.	$3,716,449
Ameren Union Electric Company	1,349,751
Anheuser-Busch Inc.	1,341,775
Laclede Gas	1,277,529
Tenet Health System	1,115,203
Cingular Wireless LLC	665,180
Nestlé Purina Petcare Inc.	547,225
Cybertel Cellular	439,559
IBM Credit Corp	398,946
Charter Communications	385,892
A.G. Edwards & Sons, Inc.	365,889
Mallinckrodt Inc.	361,721
Janus Hotels and Resorts	345,930
Western Union	345,930
May Company†	307,267
Doctors Community	290,339
President Riverboat Casino	259,105
Alberici Constructors	247,921
Enterprise Leasing Co.	203,168
GE Capital Information	192,964

† May Company was acquired by Federated Department Stores, Inc. in August 2005.
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 1999 through 2005.

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

Source: City Building Division.

Sports Related Economic Development

St. Louis is home to three major professional sports teams, the St. Louis Rams, the St. Louis Blues and the St. Louis Cardinals. In addition to being successful on the field, the three teams also contribute to the economy of the St. Louis Metropolitan Area. The economic impact of these teams comes from ticket sales, dollars spent 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 of St. Louis. This year such attention is 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 Center. The City hosted the U.S. Figure Skating Championships in January 2006, and will host the NCAA Frozen Four hockey finals in 2007 and the Women's Basketball Final Four in 2009.

The new Busch ballpark opened in April 2006 and attendance for the 2006 baseball season is expected to exceed 3.5 million, with roughly 40% of the attendees from outside the St. Louis region. In previous years, the Cardinals baseball team's post-season play has generated approximately $2 million in additional City revenue.

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 completion of the new ballpark and the commencement of the Ballpark Village development, a six block development that will occupy the northern half of the site of the old stadium. A minimum of $250 million is expected to be invested in the Ballpark Village, which is expected to include office, retail and entertainment space as well as upscale residential units. The first two blocks of the Ballpark Village are expected to be completed in 2008, although this schedule may change depending on the scale of the development. It is currently anticipated that construction will be commenced on all six blocks at once, that the cost of the entire development will exceed $550 million and that the development will include the first new Class A office space downtown in two decades. In addition to recurring tax revenues after completion, the development will generate significant revenues during construction.

Business Development

The Business Development Division of the St. Louis Development Corporation administers a number of different kinds of loans, working in conjunction with the Local Development Corporation, the Small Business Administration and the 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") and Downtown Economic Stimulus Authority programs. The Land Clearance for Redevelopment Authority develops plans for the revitalization of various areas of the City and works with the Board of Aldermen to offer tax abatement as a redevelopment incentive in these areas. In addition, SLDC applied for and received from the U.S. Department of Treasury a $52 million allocation of New Markets Tax Credits that are now being allocated to a variety of organizations for business and real estate development in the City. During 2005, the following notable business attraction, retention, expansion and entrepreneurial business development activities occurred:

- In regard to business attraction, The National System, Inc., one of the region's largest advertising organizations, purchased a building in the downtown west area and moved its 200 employees from suburban Westport to downtown with a minor tax incentive. In addition, two growing information technology businesses, Gateway EDI and Quick Study Radiology, relocated from suburban to downtown St. Louis, as did an advertising specialties manufacturing and distribution business and a screen printing business.

- In regard to business expansion, Weismann Dance doubled the size of its manufacturing space and increased its employees by 50%, moving to a new location with both a manufacturing facility and a retail store. In October of 2005, Target Stores opened a new two-story prototype urban facility with underground parking in south St. Louis. As a result of this store's success, Target is actively seeking other locations in the City of St. Louis. In addition, Procter & Gamble is investing nearly $75 million to increase its production of Cascade Gel Pack, Swiffer Wet Jet refills and Fabreeze Allergen Reducer, which will result in a 33% increase over current production capabilities.

- In regard to business retention, several major professional firms (Bryan Cave, Blackwell Sanders, HOK Inc.) renewed their downtown leases, others are in the process of doing so, and several major accounting firms (Deloitte, PriceWaterhouse) have either moved to new downtown locations or are finalizing their plans to remain downtown in new quarters. Nooter Manufacturing is building a new warehouse and headquarters complex in its original location, and the St. Louis Business Center on Hall Street in north St. Louis is 95% occupied. Summit Development Group is planning similar new facilities to handle the demand for this warehouse and light industrial space.

- In regard to business development and entrepreneurial growth, CORTEX, the non-profit developer of a life sciences business campus located between the BJC Medical Center and Saint Louis University, completed its first new building. Approximately 75% of the building is now leased to Stereotaxis, a graduate of the Center for Emerging Technologies specializing in MRI applications, and the Washington University Center for Nanomedicine. In addition, four St. Louis businesses, including three minority businesses—ABNA Engineering, Asynchrony Solutions, Pangea Group, and BAM Construction—received awards from the Initiative for a Competitive Inner City. In cooperation with the Downtown St. Louis Partnership, the City continued its strategy for attracting new retail to downtown. As a result of this initiative, over 40 new boutique retail businesses and restaurants have opened in the past five years. Due to this success, steps are now being taken to attract mainstream retailers downtown. Downtown St. Louis, following the May Company-Federated Department Stores merger, is now the home of a new Federated division, Macy's Midwest, and Federated has announced that the downtown Famous-Barr store will remain open, rebranded as a Macy's. New retail establishments not only provide services and goods that are needed to support downtown business, residential and tourism development, but are expected to add several hundred jobs in the next few years. In south St. Louis, a new Lowes Home Improvement Warehouse—the first of its kind in the City—is under construction on the site of an abandoned manufacturing facility. MLK Plaza in north St. Louis is expanding with the construction of a new Walgreens and plans for the addition of other new stores.

- 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. Soda Fountain Square in Lafayette Square opened in 2005, joining and adding an element of variety to 1111 Mississippi and Sqwires restaurants as trendy places to eat and drink. Corner storefronts in Benton Park and along Morganford are being reborn as avant garde restaurants and retailers. South Grand continues to grow as the City's ethnic business district, with restaurants, retailers and grocers.

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 expected to improve 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 2004, the City issued permits for 3,111 new and substantially rehabilitated units. In 2005, this number more than doubled to approximately 7,180 such permits, according to the Home Builders Association of Greater St. Louis.

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 ready to commence. St. Louis Center and the One City Center Office Tower are under contract to be 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 under construction. Also, immediately north of the Convention Center, the Bottle District development is ready to commence.

Economic Development

Since 2000, more than $3 billion in development has been completed in downtown St. Louis and a number of other major developments are under construction or are expected to commence sometime in 2006. A number of major projects also are planned or underway in other parts of the City. These include the Loughborough Commons shopping complex with a Lowes Home Improvement Warehouse as its anchor, Riverview Condominiums, new life sciences laboratory and office structures in the CORTEX life science district, new retail and institutional developments in the Loop East area, two new high-rise condominium developments and one major new apartment construction in the Central West End. There are also apartment, townhouse and condominium new construction developments in the Benton Park, Lafayette Square, Ville, West End, Old North St. Louis and Shaw neighborhoods, among others.

Completed Major Development Projects

The following tables provide information on major development projects, each costing more than $1 million and collectively totaling more than $1 billion, that have been completed since 2002, categorized by type of development, i.e. residential, commercial or industrial.

Residential Projects	**Project Type**	**Cost of Project**	**Completion Date**
10th Street Lofts	Renovation	$10,800,000	2002
1324 Washington Ave. Loft Bldg.	Renovation	3,570,000	2002
703 N. 13th (Elder Shirt Lofts)	Renovation	6,000,000	2002
Merchandise Mart Apartments	Renovation	47,000,000	2004
1110 Washington (Vanguard Lofts)	Renovation	15,000,000	2004
Lofts @ 315 (20 Lofts)	Renovation	5,000,000	2004
Lister Building (4500 Olive)	Renovation	3,750,000	2004
St. Louis Place Park Homes	New Construction	3,600,000	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
2216 Sidney (12 loft condos)	Renovation	2,000,000	2004
Botanical Heights	New Construction	25,000,000	2005
Terra Cotta Annex/Parking Garage	New Construction/ Rehabilitation	24,000,000	2005
Bell Lofts (920 Olive St.)	Renovation	5,000,000	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
The Lofts @ The Highlands	New Construction	35,000,000	2005
3222 Locust St. (Bi-Polar Condos)	Renovation	5,580,000	2005
Shenandoah Place Condos	Renovation	1,600,000	2005
Soulard Market Apartments	Rehabilitation	30,000,000	2006
1517 S. Theresa School Bldg. Apts	Renovation	9,000,000	2006
Roosevelt Senior Apartments (154 units)	Rehabilitation	4,344,196	2006
Washington Apartments (99 units)	Rehabilitation	13,800,000	2006
Majestic Stove Lofts (120 units)	Rehabilitation	24,700,000	2006

Commercial Projects	Project Type	Cost of Project	Completion Date
Volpi & Co. (5245 Northrup)	New Construction	$ 4,000,000	2004
Tarlton Construction Hdqtrs.	New Construction	3,500,000	2004
Walter Knoll Florist	Rehab/New Const.	3,000,000	2004
Marriott Residence Inn	New Construction	23,800,000	2005
Security Building	Renovation	13,200,000	2005
1141-51 S. 7th St.	Renovation	6,500,000	2005
Nooter Const. Office Complex	New Construction	6,600,000	2005
1530 S. 2nd St. Industrial	Rehabilitation	3,000,000	2005
S. Grand "Anderson Garage"	Renovation	9,600,000	2005
Target Store at Chippewa & Hampton	New Construction	14,700,000	2005
Hilton Hotel (conversion from Marriott)	Rehabilitation	15,000,000	2006
Hampton Inn @ The Highlands	New Construction	14,000,000	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
Centene Center for the Arts	Rehabilitation	7,000,000	2006
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
Hilton at the Ballpark	Rehabilitation	45,000,000	2006
Mixed Use Projects			
1113-21 Locust St. (Residential & Commercial Condos)	Rehabilitation	$7,500,000	2005
Infrastructure Projects			
Washington Ave. Streetscape (Phase II)	Renovation	$6,000,000	2005

Source: St. Louis Development Corporation.

Major Development Projects in Progress

The following table provides information on major development projects, each costing more than $1 million and collectively totaling approximately $4.3 billion, currently planned or under construction in the City.

Residential Projects	Project Type	Estimated Cost of Project	Completion Date
410 N. Jefferson (Westgate) Condos	Renovation	$ 12,800,000	2006
Cupples Station Apartments	Renovation	41,000,000	2006
Pet Building	Renovation	36,488,000	2006
1136 Washington Ave.(Millennium Lofts)	Rehabilitation	25,400,000	2006
Marquette Bldg. Condos	Rehabilitation	54,000,000	2006
Moon Bros. Lofts (1706 Delmar)	Rehabilitation	10,670,000	2006
Neighborhood Gardens Apts.	Rehabilitation	10,335,970	2006
1300 Convention Plaza Apartments	Renovation	7,900,000	2006
Bee Hat Bldg. Lofts (36 rental units)	Rehabilitation	11,100,000	2006
2035-2101 Washington (Adler Lofts)	Renovation	9,000,000	2006
Lucas Lofts (106 condos)	Rehabilitation	22,000,000	2007
Barton Street Lofts	Renovation	2,800,000	2006
2001 & 2035 Lucas St. (32 apts.)	Rehabilitation	8,000,000	2006
Renaissance on Grand Apts.	New Construction	21,600,000	2006
Dogtown Walk II	New Construction	2,700,000	2006
Lafayette Square Walk	New Construction	11,100,000	2006
21-59 Maryland Plaza Condos	Renovation	10,200,000	2006
Blumeyer Apts. – Phase II	New Construction	16,144,000	2006
Maple Acres – Phase II	New Construction	4,000,000	2006
Mullanphy Square – Phase III	New Construction	2,500,000	2006
Union West Homes – Cote Brilliante	New Construction	1,800,000	2006
City Hospital Condo/Mixed Use	Renovation	28,000,000	2006
Near Southside Mixed Use	New Construction	150,000,000	2006
4200 Lindell Condos	Renovation	6,000,000	2006
Catlin Townhomes	New Construction	2,800,000	2006
Southside National Bank Condos	Renovation	2,162,226	2006
Sullivan/Dodier Apartments	New Construction	22,800,000	2006
Gaslight Square East	Rehab/New Const	19,450,000	2006
Mississippi Place	New Construction	4,500,000	2006
5700 Arsenal St.	New Construction	15,000,000	2006
Grant School Apts. (27 units)	Rehabilitation	7,500,000	2006
E. Steins/S. Broadway (40 condos)	Rehabilitation	1,600,000	2006
4440-48 Olive – Metamorphi Concepts (14 condos)	Rehabilitation	1,900,000	2006
Delmar/Euclid/Enright (154 apts.)	Rehabilitation	4,344,196	2006
Netherby Hall Condos (26 units) (4540 Lindell Blvd.)	Rehabilitation	7,000,000	2006
2500 S. 18th St. Apartments	Renovation	3,800,000	2006

Residential Projects	Project Type	Estimated Cost of Project	Completion Date
Port St. Louis (49 Condos)	New Construction	$25,000,000	2007
Ely Walker Lofts (168 condos)	Rehabilitation	44,200,000	2007
West Town Lofts (83 condos)	Rehabilitation	18,600,000	2007
Packard Lofts (35 condos)	Rehabilitation	7,800,000	2007
1113-21 Locust St. (condos)	Rehabilitation	7,500,000	2007
1635 Washington Ave. (96 condos)	Rehabilitation	20,900,000	2007
Switzer Building (30 condos)	Rehabilitation	10,900,000	2007
Syndicate Trust Bldg. (91 condos/84 rental units)	Rehabilitation	81,600,000	2007
2107 Lucas Ave. Loft Apts	Rehabilitation	8,360,000	2007
721 Olive St. (Chemical Bldg) (32 condos/64 rental units)	Rehabilitation	23,111,443	2007
Ludwig Lofts (17 loft apts.)	Rehabilitation	7,100,000	2007
1100 Clark (Commercial)	Rehabilitation	2,000,000	2007
1235 Washington (100 condos)	Rehabilitation	18,000,000	2007
The Bogen (1201 Washington Ave.) (126 Condos)	Rehabilitation	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
1133 Washington Ave. Apartments	Renovation	9,900,000	2007
Park East Tower Condos	New Construction	50,000,000	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
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.)	Rehabilitation	9,000,000	2007
4218 & 4229 Maryland (6 new homes & renovation)	New Construction/ Rehabilitation	2,400,000	2007
3949 Lindell (Salad Bowl)	New Construction	26,500,000	2007
4466 Olive St. (Field School)	Rehabilitation	9,359,300	2007
5350-5428 Delmar (40 townhomes)	New Construction	7,000,000	2007
Warehouse of Fixtures (University Apartments)	Renovation	53,500,000	2007
4545 Lindell Blvd. (38 condos)	New Construction	28,000,000	2007
Metropolitan Lofts (63 condos)	Rehabilitation	27,000,000	2007
Betty’s Walk (9 homes)	New Construction	1,500,000	2007
Washington Apartments (99 units)	Rehabilitation	10,700,000	2007

Residential Projects	Project Type	Estimated Cost of Project	Completion Date
5819 Delmar Housing Dev. (36 condos)	New Construction	$ 7,300,000	2007
Mississippi Bluffs (56 condos)	New Construction	25,000,000	2007
Davison/Beacon Residential	New Construction	2,500,000	2007
The Union Club (39 condos)	New Construction	11,600,000	2007
3800-16 Shenandoah (12 condos)	Rehabilitation	2,870,000	2007
Grand/Chippewa (87 apartments)	New Construction	13,472,605	2007
Fox Park/McKinley Heights Condos	Rehabilitation	4,200,000	2007
Magnolia Square (25 houses) (former St. Aloysious Church)	New Construction	6,400,000	2007
4100 Forest Park	Rehabilitation	39,400,000	2007
Compton Gate Condos (36 units) (2201 S. Grand)	New Construction	10,000,000	2007
2200 Gravois (16 units)	Rehabilitation	8,000,000	2007
Bacon St./St. Louis Ave. (20 homes)	New Construction	2,400,000	2007
5435-75 Cabanne (102 apts)	Rehabilitation	18,000,000	2007
3830 & 3838 Park Ave. (36 units)	Rehabilitation	4,600,000	2007
Ballpark Lofts (174 condos)	Rehabilitation	71,000,000	2008
Jefferson Arms (360 units)	Rehabilitation	80,000,000	2008
600 Washington (St. Louis Centre) (Dillards)(260 condos & 150 units)	Rehabilitation	205,000,000	2008
Park Pacific (129 condos & 30 units)	Rehabilitation /New Construction	125,500,000	2008
Tudor Bldg/1818 Washington (50 units)	Rehabilitation	25,500,000	2008
Lindell Condos (200 units)	New Construction	93,600,000	2008
The Cascades	New Construction	25,000,000	2008
W. Pine/Euclid Condos	New Construction	150,000,000	2008

Commercial Projects

904 S. 4th St.	Rehabilitation	$ 2,500,000	2006
Maryland Plaza South	Renovation	20,500,000	2006
Sensient Colors Inc. Expansion	New Construction	7,900,000	2006
Loughborough Commons	New Construction	40,000,000	2006
2009-23 Chouteau (Retail, Office)	Rehabilitation	2,700,000	2006
4140 Lindell Blvd.	Rehabilitation	1,400,000	2006
Pinnacle Entertainment Casino	New Construction	400,000,000	2007
9th St. Garage (1065 spaces)	New Construction	33,000,000	2007
Multi-Modal Station	New Construction	25,000,000	2007
MLK Plaza (Phase II)	New Construction	7,500,000	2007
St. Louis Place Brewery (Phase II)	Rehabilitation	15,000,000	2007
The Loop Hotel (120 rooms)	New Construction	19,600,000	2007
The Loop Center North Office/Retail	New Construction	7,213,665	2007
Nooter Site Improvements	Rehab/New Const.	7,500,000	2007
Proctor & Gamble Expansion	New Construction	60,000,000	2007

Commercial Projects	Project Type	Estimated Cost of Project	Completion Date
CHIPS New Building (2711 N. Grand)	New Construction	$ 4,000,000	2007
The Restaurant Depot (4910 Manchester)	New Construction	7,000,000	2007
2351 Lafayette	New Construction	2,100,000	2007
Hy-C Company Expansion	New Construction	1,200,000	2007
4245 Forest Park	Rehabilitation	5,000,000	2007
Walgreen's (Grand/Cozens)	New Construction	5,100,000	2007
Roberts Commons(Delmar/Euclid)	New Construction	50,000,000	2007
Ice House - Phase I	Rehabilitation	8,000,000	2007
Melba Theatre Retail	Rehabilitation	1,785,000	2007
Drury Hotel (Hampton/Wilson)	New Construction	14,000,000	2007
Radisson Hotel	Rehabilitation	12,000,000	2008
St. Louis U. Arena	New Construction	80,000,000	2008
Mixed Use Projects			
Fashion Square	Rehabilitation	$ 29,000,000	2006
6400-16 Wise Ave.	New Construction	3,100,000	2006
Southside Nat'l Bank Bldg. (Phase I)	Rehabilitation	6,700,000	2007
Euclid/Buckingham Garage	New Construction	5,200,000	2007
1557/1601-45 Jefferson Ave. (Shopping Strip & 19 homes)	New Construction	9,300,000	2008
Ballpark Village	New Construction	500,000,000	2009
Gateway Village (Bottle District)	New Construction	300,000,000	2009
Institutional Projects			
Harris Stowe State College Expansion (Phase II)	New Construction	$16,000,000	2006
St. Louis Children's Hosp. Expansion	New Construction	75,000,000	2007
Washington U. Doctors Building	New Construction	40,000,000	2007
St. Louis U. Research Center	New Construction	80,500,000	2007
Federal Reserve Bank Expansion	Rehabilitation /New Construction	80,000,000	2008
St. Louis Art Museum Expansion (Phase I)	Renovation	50,000,000	2008

Source: St. Louis Development Corporation.

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.

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 2004 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, 2005. 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.

Cash Management Investment Policy

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

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 2001 through 2005.

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)

	2005	2004	2003	2002	2001
Revenues					
Taxes	$308,836	$294,387	$310,932	$313,482	$329,498
Licenses & Permits	18,597	16,960	15,942	15,691	15,191
Intergovernmental Aid	25,593	22,531	13,082	12,175	13,155
Charges for Services	14,747	15,810	12,340	12,283	15,312
Court Fines & Forfeitures	8,773	8,906	8,680	8,200	7,132
Interest	1,749	1,621	2,260	3,544	3,680
Interfund Services provided	4,519	3,921	4,476	4,864	-
Miscellaneous	2,766	4,263	7,499	4,367	3,455
Total Revenues	$385,580	$368,399	$375,211	$374,606	$387,423
Expenditures					
General Government	$ 41,651	$ 43,036	$ 42,474	$ 39,043	$ 39,254
Convention & Tourism	1,795	199	2,201	2,219	2,159
Parks and Recreation	18,279	18,501	18,184	17,765	16,929
Judicial	40,478	40,059	41,603	39,393	35,608
Streets	28,000	28,695	30,005	31,680	29,245
Public Safety[1]	218,927	223,776	216,095	205,618	76,570
Health and Welfare	2,941	4,989	2,705	11,332	12,103
Public Services	21,401	22,131	24,283	22,868	22,961
Capital Outlay	-	-	-	15	2,134
Debt Service	27,000	19,832	30,060	26,209	22,702
Total Expenditures	$400,472	$401,218	$407,610	$396,142	$259,665
Excess of Revenues Over (Under) Expenditures Other Finance Sources/(Uses)	$(14,892)	$(32,819)	$(32,399)	$(21,536)	$127,758
Issuance of Note Payable	-	-	-	-	1,980
Issuance of refunding bonds – leasehold revenue bonds	-	-	141,975	65,348	-
Premium on leasehold revenue bonds	-	-	11,251	1,935	-
Payment refunded to Bond Escrow Agent	-	-	(149,808)	(62,789)	-
Transfers In	20,386	24,458	21,025	18,686	10,823
Operating Transfers from Component Units[1]	-	-	-	-	125
Recovery of legal judgment	-	2,972	-	-	-
Transfers Out	(2,603)	(1,419)	(3,249)	(9,802)	(12,322)
Operating Transfers to Component Units[1]	-	-	-	-	(118,378)
Total Other Financing Sources (Uses)	$17,783	$26,011	$21,194	$13,378	$(117,772)
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Uses	2,891	(6,808)	(11,205)	(8,158)	9,986
Fund Balances (Beginning of Fiscal Year)[1]	69,906	76,714	87,919	96,077	86,091
Fund Balances (End of Fiscal Year)	$72,797	$69,906	$76,714	$87,919	$96,077

[1] Beginning in 2002, the City was required to show transfers to component units as expenditures.
Source: Audited Financial Statements.

The following table shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for Fiscal Years 2003 through 2005. Although, as of the date of this Official Statement, the City does not have audited financial statements for Fiscal Year 2006, the City's preliminary projections are that it ended Fiscal Year 2006 with a $9.8 million surplus. The City provides funding for several significant municipal services that are not subject to direct City management and control.

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

	2005	2004	2003
Revenues			
Taxes	$313,108	$318,813	$319,827
Licenses & Permits	18,597	17,165	15,822
Intergovernmental Aid	17,979	6,788	6,186
Charges for Services	19,954	20,243	18,019
Court Fines & Forfeitures	4,730	5,378	4,561
Interest	680	76	162
Miscellaneous	2,910	3,163	4,906
Total Revenues	$377,958	$371,626	$369,483
Expenditures			
General Government	$ 42,829	$ 41,424	$ 42,556
Convention & Tourism	1,797	1,895	2,204
Parks & Recreation	18,208	18,407	17,979
Judicial	40,102	40,216	41,299
Streets	28,104	28,569	30,007
Public Safety	91,244	94,083	90,452
Police	129,754	128,136	126,577
Health & Welfare	2,719	5,113	2,845
Public Services	21,447	22,141	24,204
Debt Service	22,398	374	2,687
Total Expenditure	$398,602	$394,358	$400,810
Excess of Revenues Over (Under) Expenditures	(20,644)	(22,732)	(31,327)
Other Financial Sources (Uses):			
Transfers In	$21,461	$18,665	$24,793
Transfers Out[1]	(2,639)	(3,327)	(2,049)
Total Other Finance Sources (Uses)	$18,822	$15,338	$22,744
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Finance Uses	$(1,822)	$(7,394)	$(8,583)
Fund Balances (Beginning of Fiscal Year)	13,037	20,431	29,014
Fund Balances (End of Fiscal Year)	$11,215	$13,037	$20,431

[1] Transfers out have been restated to include transfers to reserves.

Source: City Comptroller's Office.

GENERAL REVENUE RECEIPTS

General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years 2003 through 2005.

	Fiscal Year		
	2005	**2004**	**2003**
TAXES:			
Earnings	30.78%	31.03%	31.00%
Franchise	13.04	13.39	13.23
Sales	11.52	11.51	11.74
Gross Receipts	2.96	3.00	3.04
Motor Vehicle Sales Tax	0.89	0.90	0.85
Motor Fuel	2.55	2.58	2.24
Real Estate	8.15	8.15	7.54
Personal Property	2.78	2.89	3.06
Payroll	7.91	8.07	8.08
Other Taxes	0.36	0.18	0.32
Total Taxes	80.94	81.70	81.10
License Fees	4.66	4.39	4.01
Departmental Receipts	8.99	9.13	8.58
27th Pay Reserve Transfers	0.04	-	0.03
Transfers	5.37	4.78	6.28
	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, 2005. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and is imposed on the gross income of individuals and of net profits of businesses within the City. The current rate of 1% has been in effect since 1959.

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

The City's General Fund Earnings Tax revenue for the Fiscal Years 2001 through 2005 was as follows:

Fiscal Year	Earnings Tax
2001	$122,594,135
2002	121,656,641
2003	122,206,236
2004	121,111,509
2005	122,941,515

Source: City Comptroller's Office.

Franchise Tax

The Franchise Tax of the City is a tax on utilities operating within the City and on certain gross receipts of the Airport. This tax is passed on to the consumers by the utilities. The tax on Laclede Gas Company and AmerenUE (formerly Union Electric Company) is 10% on the gross receipts from their commercial customers and 4% on the gross receipts from their residential customers. 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. The majority of these taxes are deposited in the General Revenue Fund. Charter Communications, Inc. is taxed at 5% on its gross revenues for its City cable franchise, although this tax is not deposited in 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 2001 through 2005 was as follows:

Fiscal Year	Franchise Tax
2001	$57,189,210
2002	51,581,018
2003	52,153,791
2004	52,271,960
2005	52,083,765

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 7.616%, which includes both the State and the City portions of the sales tax. A portion of revenue collected from the tax goes to the Metropolitan Park and Recreation District as 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.

In addition, the City imposes a use tax that is earmarked to provide funds for the development and preservation of affordable and accessible housing and public health care services. 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 City's General Fund Revenue Sales Tax receipts for the Fiscal Years 2001 through 2005 were as follows:

Fiscal Year	Sales Tax
2001	$49,807,227
2002	47,555,507
2003	46,280,903
2004	44,916,621
2005	46,013,082

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 2001 through 2005 was as follows:

Fiscal Year	Gross Receipts Tax
2001	$11,304,969
2002	12,236,354
2003	11,982,766
2004	11,566,876
2005	11,826,756

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. A constitutionally-mandated portion of the proceeds of the State sales tax is distributed to local governments, including the City, based on their proportionate share of the State's total population.

The City's General Fund Motor Vehicle Sales Tax revenue for the Fiscal Years 2001 through 2005 was as follows:

Fiscal Year	Motor Vehicle Sales Tax
2001	$4,134,656
2002	3,868,712
2003	3,364,018
2004	3,522,049
2005	3,563,374

Source: City Comptroller's Office.

Motor Fuel Tax

The City receives a share of the State motor fuel tax based upon the City's proportionate share of the State's population. Motor fuel tax is collected by the State on a monthly basis and remitted to the City monthly. The City's General Fund Motor Fuel Tax revenue for the Fiscal Years 2001 through 2005 was as follows:

Fiscal Year	Motor Fuel Tax
2001	$10,219,892
2002	9,275,077
2003	8,831,066
2004	10,069,537
2005	10,189,014

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 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 as a result of 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
2001	$2,056,858,341	$8,606,069,224	$901,303,561	$2,706,617,300	$305,621,759	$3,263,783,661
2002	2,059,506,810	8,616,895,464	811,285,903	2,436,294,003	305,359,625	3,176,152,338
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

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
2001	$3,243,886,066	$5,362,183,158	$8,606,069,224
2002	3,248,435,938	5,368,459,526	8,616,895,464
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

Source: City Assessor's Office.

The tax rate levied on real and personal property during the Fiscal Year 2005 was $1.3074 per $100 of assessed valuations and during the Fiscal Year 2004 was $1.411 per $100 of assessed valuations. The collection rate for the Fiscal Year 2005 was 86.1% compared to the rate of 86.9% for the Fiscal Year 2004. 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 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	Real Property	Personal Property
2001	$27,602,292	$11,583,306
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

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 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	Payroll Taxes
2001	$34,719,193
2002	35,358,684
2003	31,890,987
2004	31,483,891
2005	31,588,099

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 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	Other Taxes
2001	$1,595,189
2002	1,358,594
2003	1,335,736
2004	1,427,576
2005	1,438,646

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 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	License Fees
2001	$15,118,463
2002	15,674,582
2003	15,821,888
2004	17,164,611
2005	18,597,181

Source: City Comptroller's Office.

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts. The City's General Fund Departmental Receipts revenue for the Fiscal Years 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	Departmental Receipts
2001	$31,134,787
2002	33,559,853
2003	33,834,201
2004	35,647,737
2005	36,064,127

Source: City Comptroller's Office.

Operating Transfers

A major source of transferred funds is from other Special Revenue Funds. Other Special Revenue Funds consist of the Child Support Unit-Circuit Attorney Fund and the Columbia Bottoms Fund. Remaining transfers represent funds which by law must first be deposited in a fund, other than the General Revenue Fund, which, after a determination by the Comptroller that such deposits are a surplus, are transferred to the General Revenue Fund.

The City's Operating Transfers for Fiscal Years 2001 through 2005, on a cash basis, were as follows:

Fiscal Year	Operating Transfers[1]
2001	$19,200,864
2002	19,775,991
2003	24,793,323
2004	18,664,916
2005	21,460,749

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

The Board of Police Commissioners

The Board of Police Commissioners 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 budget, as approved by the Board of Aldermen, was $130,245,835 for Fiscal Year 2004, $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 payments under the lease average $1,423,000 per annum. See "**DEBT OF THE CITY - Capital Leases**" herein.

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

The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by 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 2001 through 2005 were:

Fiscal Year	Expenditures
2001	$1,967,405
2002	1,726,155
2003	1,392,281
2004	1,577,279
2005	849,533

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.

Likewise, 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 2006, the General Revenue covered a debt service shortfall of $1,057,295.

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, 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 28 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, a portion of the TIF revenues from the Argyle TIF project is pledged to provide a supplemental source of repayment for the City's $11,420,000 Series 1999 Parking Revenue Bonds (Argyle Building Facilities) (the "Argyle Garage Bonds"), issued to finance the cost of the Argyle Garage located at the corner of Lindell and Euclid in the City's central west end. The maximum amount of TIF revenues which may be used for this purpose in any year is limited to 1.5 times the difference between net operating revenues of the garage and debt service on the Argyle Garage Bonds during the first two full calendar years of the garage's operations (the "Shortfall"). The Shortfall has been determined to be $849,378.95. Revenues derived from the operations of the City's parking system constitute the primary source of repayment for the Argyle Garage Bonds, which are not general obligations of the City.

Two projects were financed with Industrial Development Authority TIF Revenue Bonds, namely, Edison Brothers, estimated at $5.5 million and approved on January 29, 2000, and MLK Development, estimated at $2.3 million and approved on March 18, 2002.

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 TIF projects are financed with developer-held TIF revenue 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. The following is a list of TIF projects financed with TIF revenue notes.

Project	**Estimated TIF Costs**	**TIF Area Approved**
Cupples	$52,200,000	03/08/1991
4548 West Pine	300,000	12/22/1997
Chouteau/Compton	3,600,000	12/17/1998

Project	Estimated TIF Costs	TIF Area Approved
Center for Emerging Technology	$ 1,493,000	09/24/1999
100 North Condominium LLC	400,000	02/09/2000
3800 Park	390,000	08/01/2001
Gravois Plaza	4,049,000	11/30/2001
Tech Electronics	900,000	02/21/2002
1505 Missouri	621,100	08/05/2002
1141-1151 S. Seventh St.	1,136,800	12/10/2002
Paul Brown/Arcade	3,264,200	12/10/2002
920 Olive/1000 Locust	2,667,732	12/21/2002
Walter Knoll Florist	1,036,000	12/21/2002
1100 Locust – Louderman Building	2,444,400	12/21/2002
Terra Cotta Annex	3,500,000	04/25/2003
Printer Lofts	3,880,000	07/23/2003
Southtown Redevelopment	7,500,000	07/23/2003
Soulard Apartments	4,800,000	07/23/2003
1619 Washington Avenue	1,583,379	03/10/2004
Maryland Plaza South	5,367,052	08/05/2004
Loughborough Commons	11,000,000	02/28/2005
2300 Locust	1,800,000	06/23/2005

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	06/20/2002
Grand Center	80,000,000	02/02/2002
Grace Lofts	1,550,000	02/25/2003
1312 Washington Avenue	500,000	04/25/2003
2500 S. 18th Street	550,000	07/23/2003
City Hospital RPA1	5,000,000	07/23/2003
Fashion Square	3,700,000	07/23/2003
1601 Washington Avenue	3,000,000	07/23/2003
Highlands at Forest Park	2,400,000	03/21/2004
Security Building	3,000,000	03/10/2004
Catlin Townhomes	415,000	03/30/2004
Shenandoah Place	231,540	03/30/2004
Barton Lofts	370,000	08/02/2004
Warehouse of Fixtures	6,100,000	08/02/2004
1133 Washington Avenue	1,100,000	08/02/2004
410 Jefferson	1,525,000	08/02/2004
Maryland Plaza North	1,033,418	08/05/2004
Adler Loft Condominiums	1,300,000	12/06/2004
Marquette Building	3,600,000	12/22/2004
Gaslight Square East	1,500,000	12/22/2004
1136 Washington Avenue	3,650,000	12/22/2004

Project	**Estimated TIF Costs**	**TIF Area Approved**
Washington East Condominiums	$ 1,400,000	12/22/2004
Bottle District	41,900,000	12/22/2004
Automobile Row I	1,800,000	12/22/2004
Automobile Row II	3,000,000	12/22/2004
1300 Convention	925,000	01/03/2005
Mississippi Place	825,000	01/03/2005
5700 Arsenal	1,340,000	02/28/2005
Dogtown Walk II	415,000	02/28/2005
East Bank Lofts	1,414,000	02/28/2005
The Pet Building	3,000,000	04/19/2005
4800-5000 Goodfellow	5,652,458	08/03/2005
Moon Brothers Carriage Lofts	1,300,000	08/03/2005
Switzer Building	1,040,000	08/05/2005
1635 Washington	2,330,000	08/05/2005
3949 Lindell	3,000,000	08/05/2005
Ely Walker Lofts	6,000,000	08/05/2005
West Town Lofts	2,400,000	08/09/2005
Southside National Bank Building	1,400,000	08/09/2005
Packard Lofts	1,300,000	08/09/2005
Bee Hat Building	1,350,000	08/09/2005
Lindell Condos	7,500,000	01/03/2006
5819 Delmar	1,200,000	01/03/2006
Delmar East Loop	6,000,000	01/03/2006
6175-81 Delmar	2,100,000	01/03/2006
Delmar Loop Center North	1,500,000	01/03/2006
Syndicate Trust Building	8,200,000	01/18/2006
Ludwig Lofts	850,000	03/22/2006
Euclid/Buckingham	2,300,000	03/22/2006
Union Club	1,900,000	03/22/2006
4100 Forest Park	6,500,000	06/23/2006
Park Pacific	20,460,000	08/03/2006
2200 Gravois	1,000,000	08/03/2006
600 Washington	34,300,000	08/03/2006
Jefferson Arms	6,800,000	08/03/2006

Source: City Comptroller's Office.

Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes ("TRANs") during Fiscal Year 1984. The following table sets forth certain information concerning the issuance of TRANs since Fiscal Year 2002.

Fiscal Year	TRANs Issued During Fiscal Year	As a Percent of General Fund Revenues[1]
2002	$43,000,000	10.93%
2003	46,000,000	11.67%
2004	50,000,000	12.83%
2005	47,000,000	11.77%
2006	45,000,000	10.81%[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 June 30, 2006:

Bonds	Amount Outstanding
General Obligation Bonds	$ 45,219,742
Water Revenue Bonds	31,820,000
Parking Revenue Bonds	64,772,000
Airport Revenue Bonds	871,345,000
Total	$1,013,156,742

Source: City Comptroller's Office.

Capital Leases

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

Description	Amount Outstanding June 30, 2006	Remaining Term in Years	Issue Date
Convention Center Bonds, Series 1993A	$ 2,567,205	8	June 1993
Justice Center Bonds, Series 1996A	4,725,000	2	Aug. 1996
Justice Center Bonds, Series 1996B	2,475,000	7	Aug. 1996
Convention and Sports Facility Project and Refunding Bonds[(1)] (includes Preservation Payments)	68,376,000	16	Feb. 1997
Kiel Site Rev Refunding Bonds, Series 1997A	6,105,000	13	Aug. 1997
Kiel Site Rev Refunding Bonds, Series 1997B	4,050,000	11	Aug. 1997
Firemen's Retirement System Bonds, Series 1998	13,230,000	5	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 Bonds, Series 2002	21,750,000	21	Apr. 2002
Rolling Stock	7,205,309	12	Oct. 2002
Convention Center Leasehold Refunding Bonds, Series 2003	103,765,000	8	Apr. 2003
Police Board Lease Series 2003	3,200,000	2	Feb. 2003
Civil Courts Revenue Refunding Bonds, Series 2003A	18,560,000	7	May 2003
MDNR Energy Efficiency Program	1,136,199	3	Nov. 2003
Forest Park Revenue Improvement Bonds, Series 2004	15,685,000	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
MDNR Energy Efficiency Program	781,628	7	Dec. 2005
	$399,754,232		

(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.

On October 4, 2006, the City caused to be issued the St. Louis Municipal Finance Corporation Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A (City of St. Louis, Missouri, Lessee), in the amount of $23,725,000. These bonds were issued for the purpose of advance refunding the outstanding bonds issued to renovate and improve the Carnahan Courthouse.

Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of June 30, 2006, is set forth below.

	General Obligation Bonds Outstanding	Percent Applicable to St. Louis	City's Direct and Overlapping Debt
The City of St. Louis	$ 45,219,742	100.00%	$ 45,219,742
Board of Education of the City of St. Louis	249,246,846	100.00%	249,246,846
Total	$294,466,588		$294,466,588

Source: City Comptroller's Office.

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of June 30, 2006. These figures do not include lease agreements.

	Amount	Per Capita[1]	Ratio to Assessed Value
Total Direct Debt	$ 45,219,742	$129.87	1.16%
Total Direct and Overlapping Debt	$294,466,588	$845.71	7.58%

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 June 30, 2006.

	City Purposes Basic Limit	Streets and Sewers Additional Limit
2005 Assessed Value	$3,882,742,603	$3,882,742,603
Debt limit - 10% of assessed value	388,274,260	388,274,260
Less: General Obligation Bonds	45,219,742	--
Legal Debt Margin	$ 343,054,518	$ 388,274,260

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.

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, Missouri Court of Appeals, Eastern District, Cause No. 86921 (appeal of City of St. Louis Circuit Court, 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, if the decision is upheld on appeal, the entire unfunded total of $18.5 million would be required. The City appealed the Circuit Court decision to the Missouri Court of Appeals. The Missouri Court of Appeals issued its decision on August 22, 2006, holding that the Board of Estimate and Apportionment does not have unlimited discretion to set the amount of the City's contribution to the Firemen's Retirement System but rather is constrained to certify an amount determined to be necessary for the Firemen's Retirement System to remain actuarially sound and that City's statutes and ordinances mandate that the City appropriate as the City's contribution to the Firemen's Retirement System the amount certified by the actuary and the board. Because of the general interest and importance of the issues involved in the case, the Missouri Court of Appeals transferred the case to the Supreme Court of Missouri.

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. 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. This suit is currently stayed in the Circuit Court, pending a decision on the appeal of the judgment entered for Fiscal Years 2004 and 2005.

Police Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury, and Darlene Green, Missouri Court of Appeals, Eastern District, Cause No. 86919 (appeal of City of St. Louis Circuit Court, 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, if the decision is upheld on appeal, the entire unfunded total of $5.3 million would be required. The City appealed the Circuit Court decision to the Missouri Court of Appeals. The Missouri Court of Appeals issued its decision on August 22, 2006, holding that the Circuit Court did not err in ordering the City to pay the actuarially certified amount to the Police Retirement System and, because of the general interest and importance of the issues involved in the case, it transferred the case to the Supreme Court of Missouri.

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 is currently stayed in the Circuit Court, pending a decision on the appeal of the judgment entered for the Fiscal Year 2004.

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.

* * *

APPENDIX B

FINANCIAL STATEMENTS OF THE CITY OF ST. LOUIS, MISSOURI

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KPMG

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, 2005, which collectively comprise the City of St. Louis, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds, St. Louis Development Corporation, and the Harry S. Truman Restorative Center. The assets and additions of the pension trust funds represent 92% and 100% of the assets and additions, respectively, of the aggregate remaining fund information. The assets of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 52% and 1%, respectively, of the assets of the aggregate discretely presented component units. The revenues of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 14% and 1%, respectively, of the revenues of the aggregate discretely presented component units. The financial statements of the pension trust funds, St. Louis Development Corporation, and Harry S. Truman Restorative Center were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the pension trust funds and Harry S. Truman Restorative Center discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes 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 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, 2005, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Effective July 1, 2004, the City of St. Louis adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3.*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 19, 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 19, the Budgetary Comparison Information on pages 135 through 140, and the Firemen's Retirement System of St. Louis and Employees' Retirement System of the City of St. Louis Information on page 141 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis, Missouri's basic financial statements. The combining and individual fund financial statements and schedules—other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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
January 19, 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 years ended June 30, 2005 and 2004. 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 $1.5 billion.
- Governmental activities and business-type activities had net assets of $340.2 million and $1.2 billion, respectively.
- On a government-wide basis during the year, the City's total expenses were $36.0 million less than the $891.3 million revenue generated in charges for services, grants, taxes, and other revenues.
- The cost of services for the City's governmental activities was $658.4 million in fiscal year 2005.
- As of June 30, 2005, the City's governmental funds reported combined ending fund balances of $220.0 million. Of this amount, $118.4 million is unreserved fund balance and available for spending at the City's discretion.
- The unreserved fund balance for the general fund was $47.6 million or 11.9% of total general fund expenditures.
- The general fund revenues were lower than original budget estimates.
- In fiscal year 2005, the City issued $172.3 million in long-term debt to finance projects and refund debt. There was a net increase of $23.9 million or 4.5% in bond debt during the current fiscal year.
- Total actual resources available in the general fund were $3.7 million less than originally estimated and appropriated. However, management limited general fund spending primarily through a decrease in transfers from the general fund and a reduction in planned departmental expenditures.
- Net pension obligations increased by $20.7 million and net pension asset decreased by $7.9 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 $11.0 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 facilities.

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 2005 and 2004 were $1.5 billion for each year. 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, 2005 and 2004
(dollars in millions)

	Governmental Activities		**Business -type Activities**		**Total**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
Assets:						
Current and other assets $	345.2	341.6	457.3	590.5	802.5	932.1
Capital assets	777.5	776.8	1,860.5	1,694.5	2,638.0	2,471.3
Total assets	**1,122.7**	**1,118.4**	**2,317.8**	**2,285.0**	**3,440.5**	**3,403.4**
Liabilities:						
Long-term debt outstanding	719.8	671.8	1,012.4	1,047.9	1,732.2	1,719.7
Other liabilities	62.7	64.7	67.4	76.9	130.1	141.6
Total liabilities	**782.5**	**736.5**	**1,079.8**	**1,124.8**	**1,862.3**	**1,861.3**
Net assets:						
Invested in capital assets,						
net of related debt	395.9	329.5	1,068.2	928.7	1,464.1	1,258.2
Restricted	121.3	127.3	153.7	197.5	275.0	324.8
Unrestricted	(177.0)	(74.9)	16.1	34.0	(160.9)	(40.9)
Total net assets $	**340.2**	**381.9**	**1,238.0**	**1,160.2**	**1,578.2**	**1,542.1**

ANALYSIS OF NET ASSETS

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

The largest portion of the City's net assets, 92.8% reflects its investments of $1.4 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 2005 and fiscal 2004, respectively, is $275.0 million and $324.8 million, which represent resources that are subject to external restrictions on how they may used.

All net assets generated by governmental activities are either externally restricted or invested in capital assets. Total unrestricted net assets decreased by $102.1 million for the year ended June 30, 2005. Consequently, unrestricted governmental activities net assets showed a $177.0 deficit at the end of this year as compared to a $74.9 million deficit last fiscal year. This deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. For example, the City's policy and practice is to budget for certain long-term expenses as they come due. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and amounts to pay for unused employee vacation and sick days. The City will continue to include these amounts in future year's budgets as they come due.

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

- Section 108 loan agreements, $68.2 million
- Joint venture financing agreement for the expansion of the convention center, $68.4 million
- Tax increment financing debt for economic development projects in the amount of $41.7 million

Although the net assets of the business-type activities demonstrated an increase of $77.8 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, the Water Division, and the Parking Division.

The City of St. Louis, Missouri
Changes in Net Assets
For the Fiscal Years ended June 30, 2005 and 2004
(dollars in millions)

		Governmental activities		Business-type activities		Total	
		2005	**2004**	**2005**	**2004**	**2005**	**2004**
Revenues:							
Program revenues:							
Charges for services	$	77.6	71.2	194.2	204.3	271.8	275.5
Operating Grants and Contributions		111.3	145.4	4.0	48.9	115.3	194.3
Capital Grants and Contributions		1.0		72.0		73.0	0.0
General revenues:							
Taxes		416.0	398.0			416.0	398.0
Investment income		3.1	2.7	11.1	8.1	14.2	10.8
Total revenues		**609.0**	**617.3**	**281.3**	**261.3**	**890.3**	**878.6**
Expenses:							
General government		93.7	91.8			93.7	91.8
Convention and tourism		6.3	4.5			6.3	4.5
Parks and recreation		25.7	23.7			25.7	23.7
Judicial		47.7	47.9			47.7	47.9
Streets		56.2	54.0			56.2	54.0
Public Safety:						0.0	0.0
Fire		51.1	51.1			51.1	51.1
Police		130.6	131.5			130.6	131.5
Other		52.6	55.2			52.6	55.2
Health and welfare		40.6	37.0			40.6	37.0
Public service		62.6	73.2			62.6	73.2
Community development		57.2	64.2			57.2	64.2
Interest on long-term debt		34.0	38.5			34.0	38.5
Airport				143.4	147.7	143.4	147.7
Water Division				39.8	41.6	39.8	41.6
Parking Division				13.6	14.0	13.6	14.0
Total expenses		**658.3**	**672.6**	**196.8**	**203.3**	**855.1**	**875.9**
Increase (decrease) in net assets							
before gain, special item, transfers		**(49.3)**	**(55.3)**	**84.5**	**58.0**	**35.2**	**2.7**
Gain on sale		0.5	1.9	0.4		0.9	1.9
Special item			3.0		3.4		6.4
Transfers		7.1	7.2	(7.1)	(7.2)	0.0	0.0
Increase (decrease) in net assets		**(41.7)**	**(43.2)**	**77.8**	**54.2**	**36.1**	**11.0**
Net assets—beginning		381.9	425.1	1,160.2	1,106.0	1,542.1	1,531.1
Net assets—ending	$	**340.2**	**381.9**	**1,238.0**	**1,160.2**	**1,578.2**	**1,542.1**

Changes in net assets. The City's total revenue on a government-wide basis was $890.3 million, an increase of $11.7 million over the previous year. Taxes represent 46.7% of the City's revenue as compared to 45.3% last year. Additionally, 30.5% comes from fees charged for services, as compared to 31.4% of the previous year's revenue. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

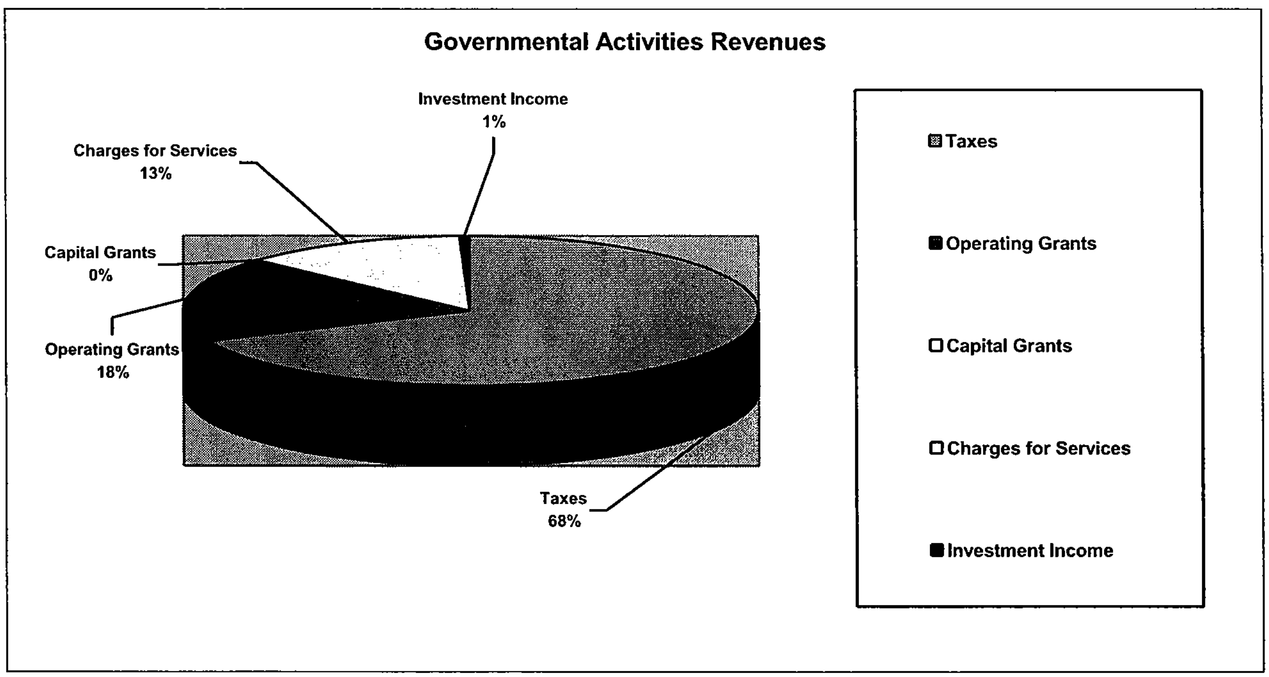
The total cost of all programs and services was $855.1 million, a decrease from $875.9 million last year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

Governmental activities. As a result of this year's operations, the net assets of governmental activities decreased by $41.7 million or 10.9%. The net asset decrease is primarily related to the anticipated level of spending over the expected growth in revenues. Revenues excluding the gain on the sale of assets decreased by $8.3 million or 1.3%, while total expenses decreased by $14.3 million or 21.3%. The gain on the sale of capital assets reduces the decrease in net assets by $0.5 million.

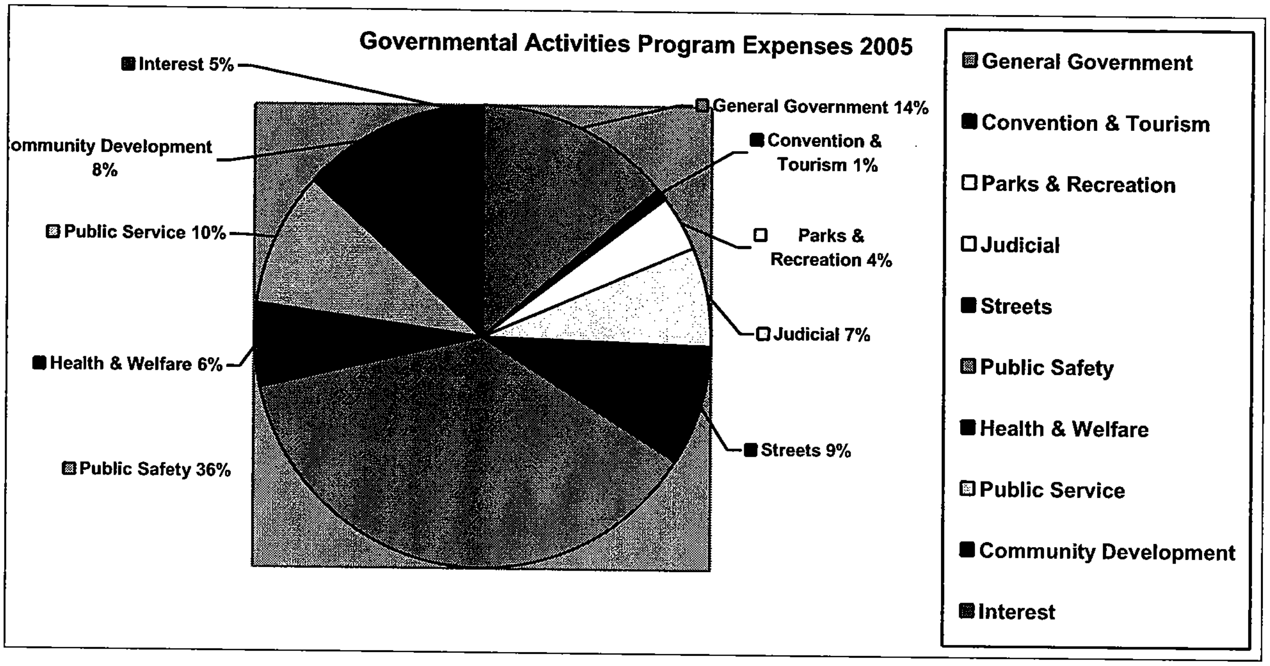
Several revenue sources fell short of the final budget estimates. Of the budgeted revenue, taxes increased by $2.0 million or 0.7%; license and permits decreased by $0.1 million or 0.5%; intergovernmental (motor fuel tax allocations, juvenile detention center) increased by $0.1 million or 0.6% and charges for services decreased by $0.9 million or 4.5%.

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.

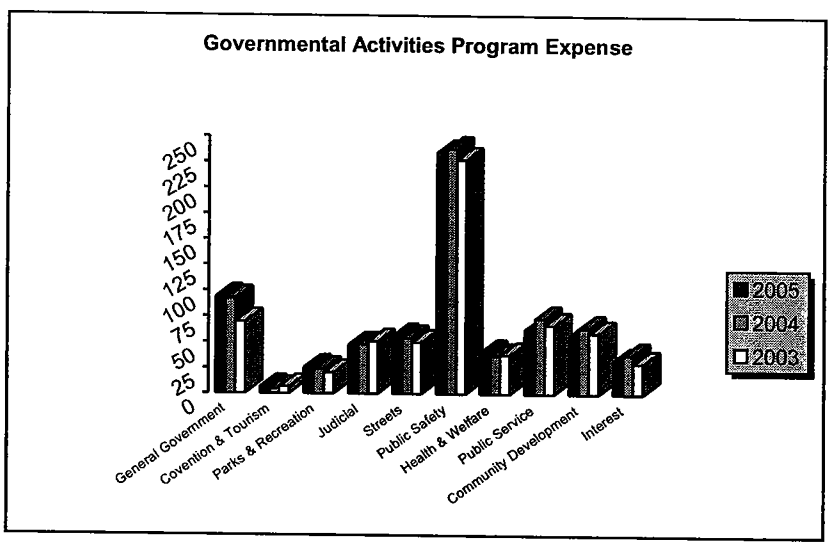
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2005.



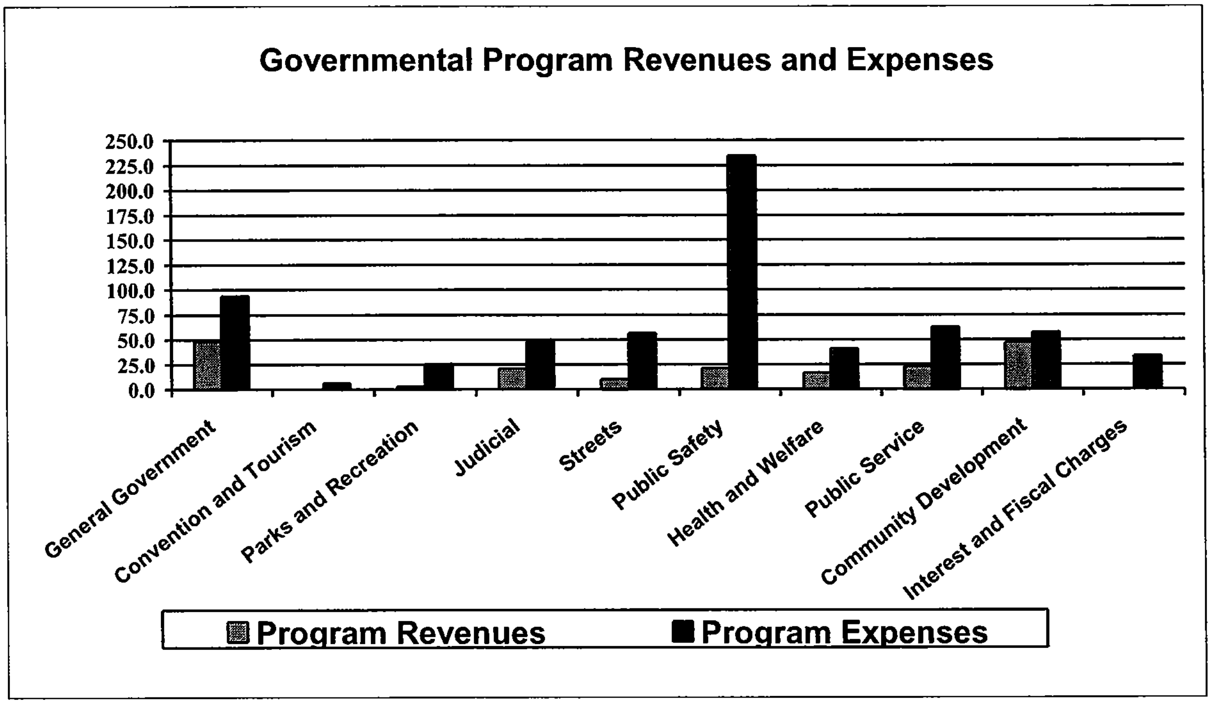
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was $658.3, an decrease of $14.3 million or 21.3% over the prior year. As shown, public safety is the largest function in expense (35.6%). The majority of the spending was the result of funding the Police Department with $130.6 million and the Fire Department with $51.1 million.



The following chart is a comparison of expense of governmental activities for fiscal years ended 2005, 2004, and 2003.



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	
		2005	**2004**		**2005**	**2004**
General government	$	93.7	91.8		45.6	40.6
Convention and tourism		6.3	4.5		6.3	4.5
Parks and recreation		25.7	23.7		22.9	13.3
Judicial		47.7	47.9		27.2	26.6
Streets		56.2	54.0		45.9	26.8
Public Safety:						
Fire		51.1	51.1		44.4	45.0
Police		130.6	131.5		129.6	129.0
Other		52.6	55.2		39.1	43.7
Health and welfare		40.6	37.0		24.2	21.5
Public service		62.6	73.2		39.5	50.7
Community Development		57.2	64.2		9.8	15.5
Totals	$	624.3	634.1		434.5	417.2

The preceding charts represent the cost of governmental activities this year excluding interest and fiscal charges. The cost this year was $624.3 million compared to $634.1 million last year. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only $434.5 million. The difference of $189.8 million comprises charges for services ($77.6 million), operating grants and contributions ($111.2 million), and capital grants and contributions ($1 million).

Business-Type activities. Business-type activities reflect an increase in net assets of $77.8 million or 43.4%. 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 Division, and Parking Division.

Lambert—St. Louis International Airport. The net assets of the Airport increased by $74.2 million or 7.4%. Operating income was $4.3 million this year versus an operating income of $15.2 million in 2004. Total operating revenues for 2005 was $110 million. Of this amount, major sources of operating revenue included aviation revenue (62.5%), concession revenue (27.3%), and lease revenue (8.8%). A form of non-operating revenue is passenger facility charges, which accounts for 18% of total revenues.

As the W-1W expansion project nears completion, the Airport expended $0.2 million on capital activities. At June 30, 2005, the Airport had outstanding bonded debt of $894.4 million.

Parking Division. The net assets of the Parking Division increased by $1.5 million or 8%. Operating income was $2.9 million this year versus an operating income of $3.0 million in 2004. Total operating revenues for 2005 was $13 million. Of this amount, major sources of operating revenue included parking meter revenue (24.1%), parking violations notices revenue (29.4%), and parking facilities revenue (40.9%).

At June 30, 2005, the capital assets balance was $68.2 million. This amount includes buildings and parking garages (net of accumulated depreciation) with $44.3 million, parking meters and lot equipment with $2.7 million, and land with $21.2 million. At June 30, 2005, the Parking Division had outstanding bonded debt of $66.2 million.

Water Division. The net assets of the Water Division increased by $1.9 million or 1.4%. Operating income was $6.3 million this year versus an operating income of $4.0 million in 2004. Total operating revenues for 2005 was $43.3 million. Of this amount, major sources of operating revenue included metered revenue (45.4%) and flat rate revenue (41.6%).

At June 30, 2005, the capital assets balance was $152.6 million. This amount includes buildings and structures (net of accumulated depreciation) with $19.3 million, reservoirs and water mains with $87.5 million, equipment with $36.8 million, land with $1.2 million and construction-in-progress with $7.8 million. At June 30, 2005, the Water Division had outstanding bonded debt of $32.9 million.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2005
(dollars in millions)

	2005	2004	2005 vs. 2004 $ Change	2005 vs. 2004 % Change
Total Assets	333.1	330.6	2.5	0.8
Total Liabilities	113.0	124.9	(11.9)	(9.5)
Fund Balances:				
Reserved:	101.7	120.3	(18.6)	(15.5)
Unreserved:				
General Fund	47.6	44.7	2.9	6.5
Special Revenue	43.1	43.4	(0.3)	(0.7)
Capital Projects	27.7	(2.7)	30.4	(1,125.9)
Total fund balances	220.1	205.7	14.4	7.0
Total liabilities and				
fund balance	333.1	330.6	2.5	0.8

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 $47.6 million, while the total general fund balance was $72.8 million. As of June 30, 2004, the balances were $44.7 million and $69.9 million respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance of $47.6 million represents 11.8% of total general fund expenditures and transfers out of $403.0 million, while total general fund balance of $72.8 million represents 18.0% of total general fund expenditures and transfers out. This compares to 11.1% and 17.4%, respectively, in fiscal year 2004.

The total fund balance in the City's general fund increased by $2.9 million or 4.1% in the current fiscal year. The City's general fund decreased by $6.8 million or 8.8% 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, and franchise taxes came in $1.1 million, $2.1 million, and $1.8 million, respectively, higher than budget estimates.

2. Building permits generated $1.0 million more than original estimates.

The capital projects fund ended the fiscal year with a positive unreserved fund balance of $27.7 million and a total positive fund balance of $91.0 million, as compared to a negative unreserved fund balance of $2.7 million and a total positive fund balance of $77.3 million in fiscal year 2004. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received $78.2 million in intergovernmental revenues and the Community Development Agency spent $43.4 million, or 55.5%, 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 $15.7 million, the Water Division $1.3 million, and the Parking Division was $0.5 million, as compared to $35.0 million, $0.7 million, and negative $0.2 million, respectively in 2004. The internal service funds which are used to account for certain governmental activities, also had negative unrestricted net assets in the amount of $18.9 million. Last year the unrestricted net assets were negative $18.9 million. The total growth in net assets for the proprietary funds was $77.7 million in the current year and $55.2 million the previous year. Factors contributing to the finances of these funds have been addressed earlier in the Management's Discussion and Analysis of the City's business-type activities.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for the Firemen's Retirement System, the Police Retirement System, and the Employee's Retirement System. As of the end of the current fiscal year, the net assets of the pension funds totaled $1.5 billion, an increase of $71.9 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 $54.5 million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, 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.

In the current fiscal year, $3.6 million had been set aside for prior year encumbrances and commitments, and there were no supplemental appropriations.

Excluding the $3.6 million prior year encumbrance and commitment appropriation, the original general fund budget for the fiscal year 2005 was $403.1 million, as compared to the prior year budget of $411.3 million. General fund revenues and other resources were originally estimated at $403.1 million. However, during the fiscal year, actual revenues and other sources fell short of original estimates by $0.7 million. In response to the revenue shortfall, a number of actions were taken to reduce expenditures.

With some underspending in salary and discretionary accounts, the general fund ended the year with a deficit of $0.4 million. As of June 30, 2005, the unreserved fund balance of the general fund was $11.2 million per the cash basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had invested $2.5 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 $165.9 million, or 6.7%, over last year.

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

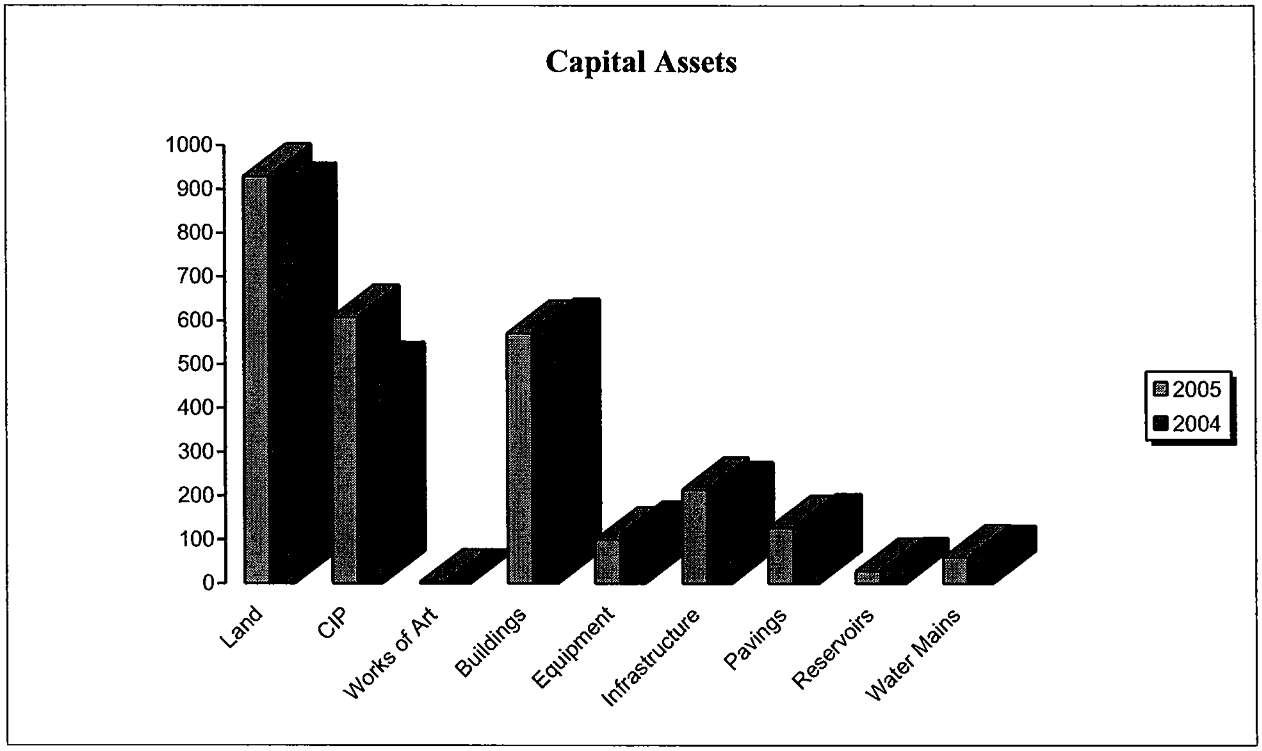
		Governmental Activities		Business-type Activities		Total	
		2005	**2004**	**2005**	**2004**	**2005**	**2004**
Land	$	77.4	77.4	851.5	807.5	928.9	884.9
Construction-in-progress		79.7	85.7	527.7	390.5	607.4	476.2
Works of art		3.0	2.8			3.0	2.8
Buildings and improvements		352.7	357.0	218.6	218.6	571.3	575.6
Equipment		50.5	51.0	49.0	61.7	99.5	112.7
Infrastructure		214.2	202.9			214.2	202.9
Pavings				126.2	129.5	126.2	129.5
Reservoirs				28.5	29.1	28.5	29.1
Water mains, line, accessories				59.0	57.6	59.0	57.6
Total	$	**777.5**	**776.8**	**1,860.5**	**1,694.5**	**2,638.0**	**2,471.3**

This year's major capital asset additions included:

- $ 18.5 million construction-work-in-progress (CIP) addition in governmental activities
- $147.7 million construction work in progress addition at the Airport
- $ 43.5 million land additions at the Airport

The net decrease in construction-in-progress in governmental activities is due to the completion of the justice center. Its cost is now included in buildings and improvements.

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. Fund financial statements record capital asset purchases as expenditures.

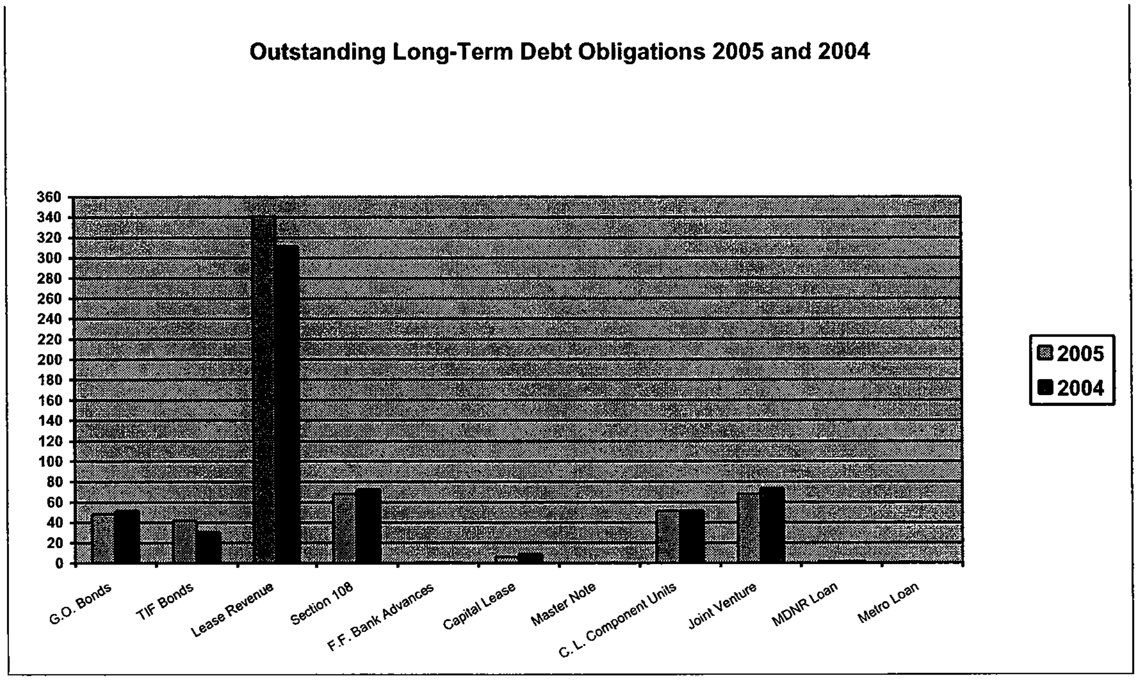
For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

Long-Term Debt

At the end of fiscal year 2005, the City had outstanding long-term debt obligations for governmental activities in the amount of $628.0 million, compared to $603.1 million in fiscal year 2004. Of this amount, $48.5 million are general obligation bonds and $41.7 million are tax increment financing bonds. Lease revenue obligations outstanding totaled $340.9 million.

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

		Fiscal Year 2005	Fiscal Year 2004	% Change
General obligation bonds	$	48.5	51.7	(6.2)
Tax increment financing bonds		41.7	30.7	35.8
Lease revenue obligations		340.9	311.5	9.4
Section 108 loan guarantee assistance		68.2	72.5	(5.9)
Federal financing bank advances		0.8	0.8	0.0
Capital lease		6.0	9.0	(33.3)
Master note purchase agreement		0.1	0.2	(50.0)
Obligations under capital leases with component units		51.0	51.4	(0.8)
Joint venture financing agreement		68.3	73.5	(7.1)
Missouri Department of Natural Resources (MDNR) direct loan agreement		1.5	1.8	(16.7)
Metro loan agreement		1.0	0.0	100.0
Total	$	**628.0**	**603.1**	**4.1**



State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The City's authorized debt limit for calendar year 2005 was $336.5 million. The City's effective legal debt margin as of June 30, 2005 was $288.1 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 2005. The City ratings on uninsured general obligation bonds as of June 30, 2005 were:

Moody's Investor's Service, Inc.	A3
Standard & 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 2005	Fiscal Year 2004	$ Change	% Change
Airport	$	894.7	930.5	(35.8)	(3.8)
Water Division		34.3	36.7	(2.4)	(6.5)
Parking Division		66.3	68.1	(1.8)	(2.6)
Total	**$**	**995.3**	**1,035.3**	**(40.0)**	**(3.9)**

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2005 was $995.3 million. The amount reflects a decrease of $40.0 million, or 3.9%. This amount includes Airport bonds of $894.7 million, Water Division bonds of $34.3 million, and Parking Division bonds of $66.3 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 2006 annual operating budget allocates $799.4 million among all budgeted funds.
- The fiscal year 2006 general fund budget is $416.4 million, which includes an anticipated expenditure for the cyclical 27th pay period of approximately $9 million. The overall percentage increase in the general fund budget after adjusting for the 27th pay expenditure is about 1%.
- The FY06 budget contains a combination of service efficiencies and cost reductions and includes one-time revenue sources. The budget also allocates $10 million to replenish the unreserved general fund balance.

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.

City of St. Louis, Missouri
Statement of Net Assets
June 30, 2005
(dollars in thousands)

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC
ASSETS							
Cash and cash equivalents	$ 31,361	12,731	44,092	6,472	655	40	784
Investments	75,655	9,388	85,043	-	2,559	-	670
Receivables, net	120,880	13,580	134,460	10,122	919	-	-
Inventories	-	3,883	3,883	-	750	-	-
Restricted assets	85,739	404,936	490,675	2,049	679	-	-
Deferred charges	7,820	19,038	26,858	-	91	-	-
Internal balances	8,339	(8,339)	-	-	-	-	-
Other assets	46	2,048	2,094	833	2,332	6	-
Receivable from primary government	-	-	-	1,804	3,484	-	-
Receivable from component unit	1,632	-	1,632	-	-	-	-
Net pension asset	13,776	-	13,776	-	-	-	-
Property held for development	-	-	-	13,637	-	-	-
Capital assets, net:							
Non-depreciable	160,129	1,379,187	1,539,316	4,914	1,646	-	-
Depreciable	617,420	481,305	1,098,725	12,407	27,976	-	5,529
Total assets	1,122,797	2,317,757	3,440,554	52,238	41,091	46	6,983
LIABILITIES							
Accounts payable and accrued liabilities	17,420	35,369	52,789	2,293	544	40	-
Accrued salaries and other benefits	10,921	1,838	12,759	397	5,275	30	-
Accrued interest payable	24,774	24,440	49,214	-	-	-	-
Unearned revenue	499	4,258	4,757	-	479	-	-
Other liabilities	4,289	-	4,289	-	-	10	-
Commercial paper payable	-	1,000	1,000	-	-	-	-
Payable to primary government	-	-	-	341	1,291	-	-
Payable to component units	4,888	400	5,288	-	-	-	-
Long-term liabilities:							
Due within one year	72,390	36,037	108,427	8,498	14,866	-	-
Due in more than one year	647,377	976,451	1,623,828	23,188	67,531	-	-
Total liabilities	782,558	1,079,793	1,862,351	34,717	89,986	80	-
NET ASSETS							
Invested in capital assets, net of related debt	395,983	1,068,231	1,464,214	4,261	25,371	-	5,529
Restricted:							
Debt service	36,498	114,566	151,064	2,118	679	-	-
Capital projects	33,842	8,296	42,138	-	-	-	-
Passenger facility charges	-	30,745	30,745	-	-	-	-
Statutory restrictions	50,993	-	50,993	-	-	-	-
Unrestricted (deficit)	(177,077)	16,126	(160,951)	11,142	(74,945)	(34)	1,454
Total net assets	$ 340,239	1,237,964	1,578,203	17,521	(48,895)	(34)	6,983

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
For the Year ended June 30, 2005
(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	$ 93,740	37,906	10,288	-	(45,546)	-	(45,546)	-	-	-	-
Convention and tourism	6,263	-	-	-	(6,263)	-	(6,263)	-	-	-	-
Parks and recreation	25,683	1,733	38	1,009	(22,903)	-	(22,903)	-	-	-	-
Judicial	47,723	11,482	8,997	-	(27,244)	-	(27,244)	-	-	-	-
Streets	56,151	4,428	5,881	-	(45,842)	-	(45,842)	-	-	-	-
Public safety:											
Fire	51,072	2,660	4,014	-	(44,398)	-	(44,398)	-	-	-	-
Police—Payment to SLPD	130,584	-	965	-	(129,619)	-	(129,619)	-	-	-	-
Other	52,600	13,424	13	-	(39,163)	-	(39,163)	-	-	-	-
Health and welfare	40,660	901	15,559	-	(24,200)	-	(24,200)	-	-	-	-
Public service	62,647	5,094	18,080	-	(39,473)	-	(39,473)	-	-	-	-
Community development	57,237	-	47,439	-	(9,798)	-	(9,798)	-	-	-	-
Interest and fiscal charges	34,016	-	-	-	(34,016)	-	(34,016)	-	-	-	-
Total governmental activities	658,376	77,628	111,274	1,009	(468,465)	-	(468,465)	-	-	-	-
Business-type activities:											
Airport	143,475	137,487	4,005	72,036	-	70,053	70,053	-	-	-	-
Water Division	39,759	43,346	-	-	-	3,587	3,587	-	-	-	-
Parking Division	13,694	13,408	-	-	-	(286)	(286)	-	-	-	-
Total business-type activities	196,928	194,241	4,005	72,036	-	73,354	73,354	-	-	-	-
Total primary government	$ 855,304	271,869	115,279	73,045	(468,465)	73,354	(395,111)	-	-	-	-
Component Units:											
SLDC	$ 24,766	9,306	15,048	-	-	-	-	(412)	-	-	-
SLPD	150,074	2,544	4,845	6,737	-	-	-	-	(135,948)	-	-
HSTRC	55	35	-	-	-	-	-	-	-	(20)	-
SWMDC	269	330	-	103	-	-	-	-	-	-	164
Total component units	$ 175,164	12,215	19,893	6,840	-	-	-	(412)	(135,948)	(20)	164
General revenues:											
Taxes:											
Property taxes, levied for general purpose					$ 51,138	-	51,138	-	-	-	-
Property taxes, levied for debt service					6,087	-	6,087	-	-	-	-
Sales taxes					122,213	-	122,213	-	-	-	-
Earnings/payroll taxes					158,533	-	158,533	-	-	-	-
Gross receipts taxes (includes franchise tax)					58,937	-	58,937	-	-	-	-
Miscellaneous taxes					19,136	-	19,136	-	-	-	-
Unrestricted investment earnings					3,112	11,128	14,240	178	81	-	15
Support provided by City of St. Louis, Missouri					-	-	-	-	130,584	224	-
On-behalf payment for pension contribution from the City of St. Louis, Missouri					-	-	-	-	4,047	-	-
Gain on sale of capital assets					494	417	911	-	108	210	-
Transfers					7,126	(7,126)	-	-	-	-	-
Total general revenues and transfers					426,776	4,419	431,195	178	134,820	434	15
Change in net assets					(41,689)	77,773	36,084	(234)	(1,128)	414	179
Net assets—beginning of year					381,928	1,160,191	1,542,119	17,755	(47,767)	(448)	6,804
Net assets—end of year					$ 340,239	1,237,964	1,578,203	17,521	(48,895)	(34)	6,983

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2005
(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	$ -	39,510	-	9,041	48,551
Unrestricted	7,206	12,240	-	11,580	31,026
Investments:					
Restricted	20,194	15,269	-	1,725	37,188
Unrestricted	12,386	27,298	11,139	24,832	75,655
Receivables, net of allowances:					
Taxes	86,244	2,600	-	21,231	110,075
Intergovernmental	2,151	738	3,454	37	6,380
Charges for services	2,346	-	-	1,204	3,550
Notes and loans	-	-	-	131	131
Other	737	-	-	7	744
Due from component units	1,291	-	-	341	1,632
Due from other funds	16,214	-	-	1,980	18,194
Total assets	$ 148,769	97,655	14,593	72,109	333,126
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 3,351	6,371	6,404	828	16,954
Accrued salaries and other benefits	9,115	112	719	975	10,921
Due to component units	3,484	-	-	1,404	4,888
Due to other funds	1,003	219	7,532	1,195	9,949
Deferred revenue	54,836	-	-	11,260	66,096
Other liabilities	4,183	-	-	102	4,285
Total liabilities	75,972	6,702	14,655	15,764	113,093
Fund balances:					
Reserved:					
Encumbrances	1,753	29,488	-	5,165	36,406
Debt service	23,432	-	-	7,990	31,422
Capital projects	-	33,842	-	-	33,842
Unreserved, reported in:					
General fund	47,612	-	-	-	47,612
Special revenue funds	-	-	(62)	43,190	43,128
Capital projects fund	-	27,623	-	-	27,623
Total fund balances	72,797	90,953	(62)	56,345	220,033
Total liabilities and fund balances	$ 148,769	97,655	14,593	72,109	333,126

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, 2005
(dollars in thousands)

Total fund balances—governmental funds—balance sheet	$	220,033
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.		777,498
Various taxes related to fiscal year 2005 will be collected beyond the 60-day period used to record revenue in the fund financial statements. Revenue for this amount is recognized in the government-wide financial statements.		12,377
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, 2005 and payable on December 31, 2005 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.		53,220
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.		(17,348)
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.		13,776
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.		7,820
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, 2005 are:		
Accrued compensated absences		(27,339)
Net pension obligation		(47,231)
Accrued interest payable on bonds		(24,774)
Landfill closure liability		(243)
Capital lease		(56,985)
Bonds and notes payable		(570,997)
Unamortized discounts		789
Unamortized premiums		(13,791)
Unamortized deferred amounts on refunding		13,434
Total net assets—governmental activities—statement of net assets	$	340,239

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, 2005
(dollars in thousands)

	Major Funds			Nonmajor Funds	
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 308,836	18,132	-	85,702	412,670
Licenses and permits	18,597	-	-	3,157	21,754
Intergovernmental	25,593	6,973	78,190	2,481	113,237
Charges for services, net	14,747	-	-	13,453	28,200
Court fines and forfeitures	8,773	-	-	274	9,047
Investment income	1,749	773	1	589	3,112
Interfund services provided	4,519	-	-	-	4,519
Miscellaneous	2,766	4,271	-	6,137	13,174
Total revenues	385,580	30,149	78,191	111,793	605,713
EXPENDITURES					
Current:					
General government	41,651	-	3,404	13,218	58,273
Convention and tourism	1,795	-	-	215	2,010
Parks and recreation	18,279	3,568	6	744	22,597
Judicial	40,478	-	4,774	2,234	47,486
Streets	28,000	5,610	-	1,608	35,218
Public Safety:					
Fire	49,193	-	3	8	49,204
Police	127,372	1,315	-	1,897	130,584
Other	42,362	-	13	9,396	51,771
Health and welfare	2,941	-	15,335	21,999	40,275
Public services	21,401	4,022	7,216	29,776	62,415
Community development	-	-	43,412	13,879	57,291
Capital outlay	-	37,383	-	-	37,383
Debt service:					
Principal	13,734	11,959	2,650	6,897	35,240
Interest and fiscal charges	13,266	8,302	1,378	6,235	29,181
Advance refunding escrow	-	717	-	642	1,359
Total expenditures	400,472	72,876	78,191	108,748	660,287
Excess (deficiency) of revenues over expenditures	(14,892)	(42,727)	-	3,045	(54,574)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	937	-	-	937
Proceeds of general obligation bonds and revenue bonds	-	61,398	-	37,555	98,953
Premium on general obligation bonds and revenue bonds	-	428	-	2,645	3,073
Discount on general obligation bonds	-	-	-	(29)	(29)
Proceeds from capital lease	-	851	-	-	851
Proceeds from tax increment revenue notes	-	-	-	12,964	12,964
Proceeds of loan agreement	-	1,000	-	-	1,000
Payment to refunded bond escrow agent	-	(16,341)	-	(39,621)	(55,962)
Transfers in	20,386	9,627	-	1,494	31,507
Transfers out	(2,603)	(1,570)	-	(20,208)	(24,381)
Total other financing sources (uses), net	17,783	56,330	-	(5,200)	68,913
Net change in fund balances	2,891	13,603	-	(2,155)	14,339
Fund balances:					
Beginning of year	69,906	77,350	(62)	58,500	205,694
End of year	$ 72,797	90,953	(62)	56,345	220,033

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, 2005
(dollars in thousands)

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances		$ 14,339
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.		804
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	(440)	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	2,785	
		2,345
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.		2
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.		(28,575)
Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets.		
Debt issued during the current year:		
Series 2005 Convention Center Leasehold Revenue bonds	(44,998)	
Series 2004 Forest Park Leasehold Revenue bonds	(16,400)	
Series 2005 General Obligation bonds	(37,555)	
Metro loan agreement	(1,000)	
Capital lease—rolling stock	(851)	
Tax increment financing bonds and notes payable	(12,964)	
Repayments during the current year:		
Advance refunding of Series 1997 Forest Park Leasehold Revenue Bonds	16,120	
Advance refunding of Series 1999 General Obligation bonds	37,710	
Annual principal payments on bonds and notes payable	30,854	
Annual principal payments on capital leases	4,387	
		(24,697)
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	(938)	
Accrued interest payable on bonds	(7,366)	
Landfill closure liability	(9)	
Discounts on debt issuances, net of amortization	80	
Premiums on debt issuances, net of amortization	(1,723)	
Deferred bond issuance costs, net of amortization	2,387	
Deferred advanced refunding differences on debt issuances, net of amortization	1,662	
		(5,907)
Change in net assets—governmental activities—statement of activities		$ (41,689)

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fund Net Assets
Proprietary Funds
June 30, 2005
(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	$ 96,222	3,792	7,290	107,304	-
Unrestricted cash and cash equivalents	8,162	2,396	2,173	12,731	335
Receivables, net of allowances:					
Intergovernmental	3,457	-	-	3,457	-
Charges for services	3,109	5,402	55	8,566	-
Accrued interest	1,557	-	-	1,557	-
Prepaid assets	-	-	-	-	46
Due from other funds	-	-	-	-	3,862
Inventories	1,914	1,969	-	3,883	-
Other current assets	2,000	48	-	2,048	-
Total current assets	116,421	13,607	9,518	139,546	4,243
Noncurrent assets:					
Investments:					
Restricted investments	279,272	14,013	4,347	297,632	-
Unrestricted investments	-	5,497	3,891	9,388	-
Capital assets:					
Property, plant, and equipment	745,388	248,752	57,779	1,051,919	205
Less accumulated depreciation	(454,669)	(105,176)	(10,769)	(570,614)	(154)
	290,719	143,576	47,010	481,305	51
Land	829,024	1,238	21,219	851,481	-
Construction-in-progress	519,839	7,867	-	527,706	-
Capital assets, net	1,639,582	152,681	68,229	1,860,492	51
Deferred charges and other assets	16,247	422	2,369	19,038	-
Total noncurrent assets	1,935,101	172,613	78,836	2,186,550	51
Total assets	2,051,522	186,220	88,354	2,326,096	4,294
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,953	2,095	165	6,213	466
Accrued salaries and other benefits	1,154	404	280	1,838	-
Accrued vacation, compensatory, and sick time benefits	5,065	3,429	161	8,655	-
Contracts and retainage payable	29,145	-	11	29,156	-
Accrued interest payable	23,036	798	606	24,440	-
Current portion of revenue bonds	23,390	2,500	1,492	27,382	-
Commercial paper payable	1,000	-	-	1,000	-
Due to other funds	3,178	2,547	1,117	6,842	5,265
Due to component unit	-	-	400	400	-
Claims payable	-	-	-	-	17,404
Deferred revenue	724	1,402	2,132	4,258	-
Total current liabilities	90,645	13,175	6,364	110,184	23,135
Noncurrent liabilities:					
Revenue bonds payable, net	871,084	30,442	62,244	963,770	-
Deposits held for others	-	1,618	-	1,618	-
Other liabilities	6,654	3,475	934	11,063	4
Total noncurrent liabilities	877,738	35,535	63,178	976,451	4
Total liabilities	968,383	48,710	69,542	1,086,635	23,139
NET ASSETS					
Invested in capital assets, net of related debt	941,531	120,012	6,688	1,068,231	51
Restricted:					
Debt service	95,145	7,874	11,547	114,566	-
Capital projects	-	8,296	-	8,296	-
Passenger facility charges	30,745	-	-	30,745	-
Unrestricted (deficit)	15,718	1,328	577	17,623	(18,896)
Total net assets	$ 1,083,139	137,510	18,812	1,239,461	(18,845)

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

Certain internal service fund assets are included within business-type activities	(1,497)
Net assets of business-type activities—government-wide statement of net assets	$ 1,237,964

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, 2005
(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	$ 68,935	-	-	68,935	-
Concessions	30,683	-	-	30,683	-
Water sales	-	40,841	-	40,841	-
Lease revenue	9,767	-	-	9,767	-
Parking	938	-	12,986	13,924	-
Charges for services	-	-	-	-	20,159
Miscellaneous	-	2,505	-	2,505	-
Total operating revenues	110,323	43,346	12,986	166,655	20,159
OPERATING EXPENSES					
Claims incurred	-	-	-	-	16,110
Premiums	-	-	-	-	3,511
Personal services	35,716	15,574	5,768	57,058	232
Material and supplies	4,573	7,770	179	12,522	293
Purchased power	-	2,498	-	2,498	-
Contractual services	31,578	2,448	1,470	35,496	-
Miscellaneous	-	2,059	432	2,491	-
Depreciation and amortization	31,757	4,470	2,109	38,336	13
Interfund services used	2,318	2,142	59	4,519	-
Total operating expenses	105,942	36,961	10,017	152,920	20,159
Operating income	4,381	6,385	2,969	13,735	-
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	4,005	-	-	4,005	-
Investment income	9,793	918	417	11,128	-
Interest expense	(36,216)	(1,829)	(3,677)	(41,722)	-
Passenger facility charges	27,164	-	-	27,164	-
Amortization of bond issue costs	(1,279)	(64)	-	(1,343)	-
Gain on sale of capital ssets	-	-	417	417	-
Gain (loss) on disposal of capital assets	-	(28)	-	(28)	2
Miscellaneous, net	(38)	(877)	422	(493)	-
Total nonoperating revenues (expenses), net	3,429	(1,880)	(2,421)	(872)	2
Income before transfers and contributions	7,810	4,505	548	12,863	2
Transfers in	-	-	1,149	1,149	-
Transfers out	(5,570)	(2,555)	(150)	(8,275)	-
Capital contributions	72,036	-	-	72,036	-
Change in net assets	74,276	1,950	1,547	77,773	2
Total net assets—beginning of year	1,008,863	135,560	17,265		(18,847)
Total net assets—end of year	$ 1,083,139	137,510	18,812		(18,845)

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

Certain internal service fund assets are included within business-type activities	-
Change in net assets of business-type activities—government-wide statement of activities	$ 77,773

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Cash Flows
Proprietary Funds
For the Year ended June 30, 2005
(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	$ 118,783	43,476	12,663	174,922	-
Receipts from interfund services provided	-	-	-	-	20,279
Other operating cash receipts	938	-	298	1,236	-
Payments to suppliers of goods and services	(36,591)	(15,050)	(1,748)	(53,389)	(19,773)
Payments to employees	(33,108)	(14,602)	(5,399)	(53,109)	(232)
Payments for interfund services used	(2,993)	(2,604)	-	(5,597)	-
Net cash provided by operating activities	47,029	11,220	5,814	64,063	274
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	1,149	1,149	-
Transfers to other funds	(5,570)	(2,575)	(150)	(8,295)	-
Net cash provided by (used in) noncapital financing activities	(5,570)	(2,575)	999	(7,146)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash collections from passenger facility charges	27,164	-	-	27,164	-
Receipts from federal financing assistance	79,075	-	-	79,075	-
Acquisition and construction of capital assets	(181,405)	(5,431)	(1,944)	(188,780)	-
Proceeds from sale of capital assets	-	-	600	600	(1)
Proceeds from issuance of commercial paper	9,000	-	-	9,000	-
Principal paid on commercial paper	(18,000)	-	-	(18,000)	-
Principal paid on revenue bond maturities	(35,775)	(2,365)	(1,870)	(40,010)	-
Cash paid for interest	(46,575)	(1,603)	(3,531)	(51,709)	-
Other capital and financing activities	-	(901)	422	(479)	-
Net cash (used in) capital and related financing activities	(166,516)	(10,300)	(6,323)	(183,139)	(1)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(1,846,899)	(106,650)	(25,719)	(1,979,268)	-
Proceeds from sales and maturities of investments	1,948,930	109,440	25,218	2,083,588	-
Investment income	12,374	887	450	13,711	-
Net cash provided by (used in) investing activities	114,405	3,677	(51)	118,031	-
Net increase (decrease) in cash and cash equivalents	(10,652)	2,022	439	(8,191)	273
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	9,355	2,292	2,842	14,489	62
Restricted	105,681	1,874	6,182	113,737	-
	115,036	4,166	9,024	128,226	62
End 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
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 4,381	6,385	2,969	13,735	-
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	31,757	4,470	2,109	38,336	13
Changes in assets and liabilities:					
Receivables, net	9,844	407	11	10,262	10
Inventories	72	(57)	-	15	-
Other assets, net	(37)	-	5	(32)	11
Accounts payable and accrued liabilities	1,313	(1,051)	(3)	259	6
Accrued salaries and other benefits	(807)	(95)	10	(892)	-
Claims payable	-	-	-	-	1,691
Deferred revenue	(83)	51	(35)	(67)	-
Due to/from other funds	25	(169)	389	245	(1,449)
Deposits held for others	-	264	-	264	-
Other long term liabilities	564	1,015	359	1,938	(8)
Total adjustments	42,648	4,835	2,845	50,328	274
Net cash provided by operating activities	$ 47,029	11,220	5,814	64,063	274

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005
(dollars in thousands)

		Pension Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents—unrestricted	$	8,750	25,782
Investments—unrestricted		-	10,513
Pension trust investments—unrestricted:			
U. S. government securities		117,753	-
Corporate bonds		104,263	-
Domestic bond funds		43,983	-
Stocks		781,523	-
Foreign government obligations		11,212	-
Mortgage-backed securities		76,622	-
FHA mortgages		8	-
Collective investment funds		201,212	-
Real estate group annuity		47,084	-
Investment property		1,761	-
Money market mutual funds		37,953	-
Managed international equity funds		96,594	-
Total pension trust investments		1,519,968	-
Securities lending collateral		29,382	-
Receivables, net of allowances:			
Taxes		-	16,963
Contributions		5,998	-
Accrued interest		9,958	-
Other		1,644	1,271
Prepaid expenses		82	-
Capital assets		470	-
Total assets		1,576,252	54,529
LIABILITIES			
Accounts payable and accrued liabilities		2,828	1,338
Deposits held for others		1,531	27,898
Due to other governmental agencies		-	25,293
Securities lending collateral liability		29,382	-
Other liabilities		21,231	-
Total liabilities		54,972	54,529
NET ASSETS			
Net assets held in trust for pension benefits	$	1,521,280	-

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, 2005
(dollars in thousands)

	Pension Trust Funds
ADDITIONS	
Contributions:	
Members	$ 7,055
Employers	21,533
Investment income:	
Interest and dividends	28,890
Net appreciation in fair value of investments	142,859
	171,749
Less investment expense	(5,898)
Net investment income	165,851
Total additions	194,439
DEDUCTIONS	
Benefits	95,056
Refunds of contributions	12,738
Administrative expense	2,426
Total deductions	110,220
Net increase	84,219
Net assets held in trust for pension benefits:	
Beginning of year:	
As previously reported	1,449,357
Adjustment	(12,296)
As adjusted	1,437,061
End of year	$ 1,521,280

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 accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of the more significant policies:

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. 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. Refer to subsequent event discussed at note 28.

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 is a 220-bed skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building. Under court-ordered receivership, the City has administrative 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, 2005.

Solid Waste Management and Development Corporation (SWMDC)

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

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

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

Harry S. Truman Restorative Center
c/o City Counselor's Office
City Hall
1200 Market Street
St. Louis, Missouri 63103

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 2004 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
Improvements other than buildings	20 to 40
Equipment	5 to 15
Infrastructure	18 to 50

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 that, 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	20 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	5 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 ½-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 $0.08 (in dollars) per ticket operating fee retained by the airlines. As information pertaining to PFC activity is not available to the Airport prior to receipt of PFC remittances from the airlines, PFC revenue is recognized as received and is classified as nonoperating revenue.

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, 2005.

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

Component Unit—SLPD

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

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

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

n. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances, which serves as authorization for expenditures in the subsequent year. Of encumbrances outstanding at year-end, $35,106 will remain in force and will be liquidated under the current year's budget and $1,300 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, 2005 are comprised of the following:

1) General Fund

Cash and investments with trustees to be used for debt service related to the Convention Center, the Kiel Site Project, the Argyle, Kiel, and 7th and Pine 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.

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.

(dollars in thousands)

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

t. Individual Fund Deficit

At June 30, 2005, the grants fund has a deficit fund balance of $62. This amount will be offset by future revenues. Additionally, the assessor's office nonmajor special revenue fund has a deficit fund balance of $280. This amount will be offset by future commissions. Finally, the PFPC internal service fund and the health internal service fund have deficit net assets of $13,775 and $5,083, respectively. These accumulated deficits will be offset by charges for services to other funds in future years.

u. Prior Period Adjustment

The previously stated net assets held in trust for pension benefits within the pension trust funds has been adjusted as follows:

Net assets held in trust for pension benefits, beginning of the year, as previously stated	$ 1,449,357
Restatement for portion of prior year contribution receivable from employer deemed uncollectible	(12,296)
Net assets held in trust for pension benefits, beginning of the year, as restated	$ 1,437,061

As discussed in note 10, the Firemen's System and Police System (plans) have filed lawsuits to require the City to contribute the actuarially determined annual contributions for the plans. As the plans do not expect this amount to be received for several years, the plans have fully reserved for this contribution receivable.

(dollars in thousands)

2. DEPOSITS AND INVESTMENTS

a. Primary Government

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2005:

		Cash and Cash Equivalents	Investments	Restricted Assets	Total
Government-wide statement of net assets	$	44,092	85,043	490,675	619,810
Fiduciary statement of fiduciary net assets—agency funds		25,782	10,513	–	36,295
Total primary government excluding pension trust funds		69,874	95,556	490,675	656,105
Fiduciary statement of fiduciary net assets—pension trust funds:					
Firemen's System		3,215	387,109	–	390,324
Police System		5,121	659,453	–	664,574
Employees' System		414	473,406	–	473,820
Total pension trust funds		8,750	1,519,968	–	1,528,718
Total primary government	$	78,624	1,615,524	490,675	2,184,823

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, 2005, the primary government (excluding the pension trust funds) had the following cash deposits and investments:

Federal National Mortgage Association	$ 171,959
Federal Home Loan Mortgage Corp.	112,441
United States Treasuries	60,657
Government Backed Trusts	977
Guaranteed Investment Contract	10,987
Commercial Paper	7,479
Money Market Mutual Funds	65,085
Certificates of Deposit	93,455
Other Cash Deposits	133,065
	$ 656,105

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-1" or better by Standard & Poor's Corporation and "P-1" by Moody's Investors Service, money market funds rated "AAAM" or "AAAM-G" by Standard & Poor's Corporation, and other obligations fully and unconditionally guaranteed by the U.S. government. These investments, while permitted by the indentures with the bond trustees, are not permitted by the Investment Policy for the City of St. Louis, Missouri (Investment Policy).

(dollars in thousands)

Interest Rate Risk

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, 2005:

			Investment maturities (in years)			
		Fair Value	Less than 1	1 – 5	6 – 10	More than 10
Federal National Mortgage Association	$	171,959	165,724	–	–	6,235
Federal Home Loan Mortgage Corp.		112,441	98,695	12,917	–	829
United States Treasuries		60,657	60,301	–	–	356
Government Backed Trusts		977	–	–	–	977
Guaranteed Investment Contract		10,987	–	–	–	10,987
Commercial Paper		7,479	7,479	–	–	–
	$	364,500	332,199	12,917	–	19,384

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.

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

- Of the total investment of $171,959 in Federal National Mortgage Association securities, $135,754 had a rating of AAA and $36,205 had a rating of A-1+.
- Of the total investment of $112,441 in Federal Home Loan Mortgage Corporation securities, $87,714 had a rating of AAA, $829 had a rating of AA-, and $23,898 had a rating of A-1+.
- The $977 investment in government backed trusts had a rating of AAA.

- The $10,987 guaranteed investment contract was unrated.
- The $7,479 investment in commercial paper had a rating of A-1.

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, 2005, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: $2,228 of Federal National Mortgage Association securities, $11,406 of Federal Home Loan Mortgage Corporation securities, $40,976 of U.S. Treasury securities, and the $10,987 guaranteed investment contract. Additionally, $25 of City deposits are collateralized by securities held by the counterparty's trust department or agent, not in the City's name. All remaining City investments and all remaining collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

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.

(dollars in thousands)

At June 30, 2005, the concentration of the City's deposits and investments was as follows:

Federal National Mortgage Association	26.21%
Federal Home Loan Mortgage Corp.	17.14%
United States Treasuries	9.25%
Government Backed Trusts	0.15%
Guaranteed Investment Contract	1.67%
Commercial Paper	1.14%
Money Market Mutual Funds	9.92%
Certificates of Deposit	14.24%
Other Cash Deposits	20.28%
	100.00%

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

As of September 30, 2004, the Firemen's System had the following cash deposits and investments:

Common Stock	$	157,994
Collective Investment—Equity		109,014
Corporate Obligations		15,480
Collective Investment—Bonds		92,198
U.S. Treasury Notes		5,703
Federal Agency Notes		8
Money Market Funds		6,712
Other Cash Deposits		3,215
	$	390,324

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:

			Investment maturities (in years)			
	Fair Value	**No Maturity**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
Common Stock	$ 157,994	157,994	–	–	–	–
Collective Investment—Equity	109,014	109,014	–	–	–	–
Corporate Obligations	15,480	–	–	4,960	3,404	7,116
Collective Investment—Bonds	92,198	–	723	91,475	–	–
United States Treasury Notes	5,703	–	–	5,703	–	–
Federal Agency Notes	8	–	–	–	–	8
Money Market Funds	6,712	6,712	–	–	–	–
	$ 387,109	273,720	723	102,138	3,404	7,124

(dollars in thousands)

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:

Credit Rating Level		Common Stock	Collective Investment	Corporate Obligations	Government Securities	Money Market
Agency	$	–	–	6,996	8	–
AAA		–	723	5,323	4,690	–
AA		–	91,475	613	–	–
A		–	–	1,815	–	–
BBB		–	–	413	–	–
BB		–	–	319	–	–
Not Rated		157,994	109,014	1	1,013	6,712
	$	157,994	201,212	15,480	5,711	6,712

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:

		Money Market	Equities	Fixed Income	Total
Australian Dollar	$	–	1,640	–	1,640
British Pound Sterling		–	6,023	204	6,227
Canadian Dollar		–	3,547	–	3,547
Euro		–	12,759	–	12,759
Japanese Yen		–	9,452	–	9,452
Mexican Peso		–	122	–	122
Norwegian Krone		–	618	–	618
Portugal Escudo		–	339	–	339
Singapore Dollar		–	1,226	–	1,226
Spanish Peseta		–	2,181	–	2,181
Swedish Krona		–	992	–	992
Swiss Franc		–	1,875	–	1,875
Total Foreign Currency		–	40,774	204	40,978
United States Dollar		6,712	226,234	113,185	346,131
Total	$	6,712	267,008	113,389	387,109

(dollars in thousands)

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

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

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

The Firemen's System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The collateral maintained is at least 100% of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 60% of the net lending fees generated by each loan of securities. At the Firemen's System's fiscal year end, $36,722 in loans was outstanding to borrowers. The Firemen's System earned income of $97 for its participation in the securities lending program for the 13 months ended September 30, 2004.

(dollars in thousands)

3) Primary Government—Pension Trust Fund—Police System

As of September 30, 2004, the Police System had the following cash deposits and investments:

Common Stock	$ 410,626
Mortgaged-Backed Securities—Government	54,404
Mortgaged-Backed Securities—Nongovernment	22,218
Corporate Bonds	56,111
Government Bonds	87,535
Short-Term Notes and Commercial Paper	13,741
Money Market Funds	13,057
Investment Property	1,761
Other Cash Deposits	5,121
	$ 664,574

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:

				Investment maturities (in years)			
		Fair Value	**No Maturity**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
Corporate Stock	$	410,626	410,626	–	–	–	–
Mortgaged-Backed Securities— Government		54,404	–	–	1,659	1,423	51,322
Mortgaged-Backed Securities— Nongovernment		22,218	–	–	2,749	483	18,986
Corporate Bonds		56,111	–	5,182	22,425	20,194	8,310
Government Bonds		87,535	–	337	45,204	20,129	21,865
Short-Term Notes and Commercial Paper		13,741	13,741	–	–	–	–
Money Market Funds		13,057	13,057	–	–	–	–
Investment Property		1,761	1,761	–	–	–	–
	$	659,453	439,185	5,519	72,037	42,229	100,483

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:

Credit Rating Level		**Corporate Stock**	**Government Mortgage Backed Securities**	**Nongovernment Mortgage Backed Securities**	**Corporate Bonds**	**Government Bonds**	**Short-term Notes and Commercial Paper**	**Money Market Fund**	**Investment Property**
Agency	$	–	54,404	–	–	10,502	–	–	–
AAA		–	–	15,458	8,303	74,605	–	–	–
AA		–	–	4,347	2,870	903	–	–	–
A		–	–	704	26,343	1,244	–	–	–
BBB		–	–	311	11,426	281	–	–	–
BB		–	–	–	4,824	–	–	–	–
B		–	–	287	2,345	–	–	–	–
Not Rated		410,626	–	1,111	–	–	13,741	13,05	1,761
	$	410,626	54,404	22,218	56,111	87,535	13,741	13,05	1,761

(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:

		Money Market	Real Property	Equities	Fixed Income	Total
Australian Dollar	$	–	–	–	492	492
Austrian Schilling		–	–	–	384	384
Bermuda Dollar		–	–	19	–	19
British Pound Sterling		1,892	–	4,689	620	7,201
Canadian Dollar		–	–	2,209	386	2,595
Cayman Islands Dollar		–	–	652	217	869
Chilean Peso		–	–	–	573	573
Euro		–	–	2,738	4,791	7,529
Indian Rupee		–	–	350	–	350
Israeli Shekel		–	–	1,061	–	1,061
Mexican Peso		–	–	108	2,727	2,835
Polish Zloty		–	–	–	31	31
Swiss Franc		–	–	2,484	–	2,484
Total Foreign Currency		1,892	–	14,310	10,221	26,423
United States Dollar		24,906	1,761	396,316	210,047	633,030
Total	$	26,798	1,761	410,626	220,268	659,453

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 Securites, 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
Large Cap U.S. Stocks	43	45	47
Small Cap U.S. Stocks	8	10	12
Non-U.S. Stocks	8	10	12

The Police System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest, and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 70% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and 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, 2004, outstanding loans to borrowers were $99,034. The Police System earned income of $97 for its participation in the securities lending program for the year ended September 30, 2004.

(dollars in thousands)

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

As of September 30, 2004, the Employees' System had the following cash deposits and investments:

Stocks	$ 212,903
Managed International Equity Funds	96,594
Corporate Bonds and Debentures	32,672
Foreign Governmental and Corporate Obligations	11,212
Domestic Bond Funds	43,983
Real Estate Fund	47,084
United States Government and Agency Securities	24,515
Temporary Cash Investments	4,443
Other Cash Deposits	414
	$ 473,820

Foreign Currency Risk

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

	Short-Term	Debt	Equity	Total
British Pounds	$ –	1,208	–	1,208
Canadian Dollar	–	392	–	392
Danish Krone	–	159	–	159
Euros	778	6,352	–	7,130
Japanese Yen	–	1,657	–	1,657
United States Dollar	–	289	–	289
Swedish Krona	–	128	–	128
Total	$ 778	10,185	–	10,963

(dollars in thousands)

Credit Risk of Debt Securities

The Employees' System does not have a formal policy to limit credit risk of debt securities. The Employees' System's rated debt investments as of September 30, 2004 were rated by Standard & Poor's Corporation, and the ratings are presented using the Standard & Poor's Corporation rating scale.

		AAA	AA+	AA-
Corporate Bonds and Debentures	$	11,672	5,447	3,725
Foreign Government and Corporate Obligations		5,761	493	237
Domestic Bond Funds		10,524	8,360	4,346
U.S. Government Securities		13,691	–	–
Agency Securities		10,095	–	–
Total	$	51,743	14,300	8,308

		A+	A	A-
Corporate Bonds and Debentures	$	3,804	649	135
Foreign Government and Corporate Obligations		442	131	382
Domestic Bond Funds		7,663	4,864	4,498
U.S. Government Securities		–	352	376
Agency Securities		–	–	–
Total	$	11,909	5,996	5,391

		BBB+	BBB	BBB-	Unrated
Corporate Bonds and Debentures	$	248	2,893	570	3,529
Foreign Government and Corporate Obligations		267	312	1,279	1,908
Domestic Bond Funds		–	2,264	–	1,464
U.S. Government Securities		–	–	–	–
Agency Securities		–	–	–	–
Total	$	515	5,469	1,849	6,901

(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 – 10**	**More than 10**
United States Government Securities	$ 14,419	1,756	7,747	1,329	3,587
Agency Securities	10,095	399	6,605	1,797	1,294
Corporate Bonds and Debentures	32,672	763	13,231	10,209	8,469
Federal Government and Corporate Obligations	11,212	777	5,342	2,663	2,430
Domestic Bond Funds	43,983	1,433	22,311	18,537	1,702
	$ 112,381	5,128	55,236	34,535	17,482

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, 2004, the Employees' System had a net liability of $295 (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, 2004, 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, 2004, the Employees' System cannot pledge or sell non-cash collateral unless the borrower defaults. As of September 30, 2004, the Employees' System has lending arrangements outstanding with a market value for securities lent of $28,718 and a total market value for securities received as collateral of $29,382 resulting in no credit risk for the Employees' System.

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, 2005, 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, 2005, the market value of investments approximates the carrying value of $27.

(dollars in thousands)

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, 2005, the SLPD had the following cash deposits and investments:

Federal Home Loan Mortgage Corp.	$	2,559
Money Market Mutual Funds		679
Other cash deposits		655
Total		3,893

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, 2005:

	Maturity		Carrying Value
Federal Home Loan Mortgage Corp.	July 12, 2005	$	2,559

(dollars in thousands)

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 Mortgage Corp. notes as of June 30, 2005, were rated AAA by Moody's Investor Service and Standard & Poor's.

Custodial Credit Risk

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

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

At June 30, 2005, 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

At June 30, 2005, the concentration of the SLPD's investments (excluding cash deposits) was as follows:

	Concentration
Federal Home Loan Mortgage Corp.	79.0%
Money Market Mutual Funds	21.0%
	100.0%

d. Component Unit—HSTRC

At May 31, 2005, the carrying amount of HSTRC's cash deposits was $40 and was insured by the Federal Deposit Insurance Corporation (FDIC).

(dollars in thousands)

e. Component Unit—SWMDC

At June 30, 2005, the carrying amount and bank balance of SWMDC's cash deposits was $784. Of the bank balance, $100 was insured by the FDIC and $684 was uncollateralized. SWMDC's investments of $670 at year-end consisted entirely of Federal Home Loan Mortgage Corporation Securities with less than one year to maturity and rated A-1+ by Standard & Poor's Corporation.

3. RECEIVABLES, NET

		Taxes	Intergovern-mental	Charges for Services	Notes and Loans	Other	Total Receivables
Governmental activities:							
General fund	$	86,244	2,151	2,346	—	737	91,478
Capital projects fund		2,600	738	—	—	—	3,338
Grants fund		—	3,454	—	—	—	3,454
Other governmental funds		21,231	37	1,204	131	7	22,610
Internal service funds		—	—	—	—	—	—
Total governmental activities	$	110,075	6,380	3,550	131	744	120,880
Business-type activities:							
Airport	$	—	3,457	3,109	—	1,557	8,123
Water Division		—	—	5,402	—	—	5,402
Parking Division		—	—	55	—	—	55
Total business-type activities	$	—	3,457	8,566	—	1,557	13,580

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

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	$	940
Taxes receivable—other governmental funds		142
Charges for services receivable—general fund		57
Charges for services receivable—other governmental funds		399
Business-type activities:		
Charges for services receivable—Airport		411
Charges for services receivable—Water Division		2,902
	$	4,851

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

(dollars in thousands)

(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. 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, 2005:

Airport bond fund:	
Debt service account	$ 53,869
Debt service reserve account	41,276
Airport renewal and replacement fund	3,500
Passenger facility charge fund	4,757
Airport development fund	67,651
Airport construction fund	202,385
Airport contingency fund	2,056
	$ 375,494

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.

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.

(dollars in thousands)

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2005 are as follows:

Bond funds:	
Waterworks bond and interest Account	$ 3,614
Water revenue bond reserve account	3,559
Water replacement and improvement account	701
Total bond funds	7,874
Construction funds	8,296
Customer deposits	1,635
	$ 17,805

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

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

2) To the Waterworks Bond and Interest Account, an amount at least equal to 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.

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

4) To the Water Replacement and Improvement Account, an amount equal to $25 per month until the account balance aggregates $700. This account shall be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.

5) The remaining balance in the Waterworks Revenue Fund is to be deposited into the unrestricted Water Contingent Account. This account shall be used for paying the cost of the operation, maintenance, and repair of the Waterworks System; paying the cost of extending, improving, or making replacements to the Waterworks System; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior

lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

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, 2005 are as follows:

Series 2002, 1999, and 1996 bonds:		
Debt service reserve	$	5,499
Construction		—
Debt service		950
Parking trust—Parking Division accounts		4,887
Total series 2002, 1999, and 1996 bonds		11,336
Series 2003A and 2003B bonds:		
Gross revenues		149
Bond		88
Repair and replacement		16
Operating reserve		42
Redemption		6
Total series 2003A and 2003B bonds		301
	$	11,637

The June 30, 2005 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

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

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

(dollars in thousands)

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, 2005 are as follows:

Bond funds	$ 2,049

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 $2,049.

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 $679 at June 30, 2005 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, 2005:

	Balance June 30, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 77,388	31	—	—	77,419
Construction in progress	85,644	18,501	—	(24,390)	79,755
Works of art	2,804	19	—	132	2,955
Total capital assets not being depreciated	165,836	18,551	—	(24,258)	160,129
Capital assets being depreciated:					
Buildings	391,437	751	—	3,719	395,907
Improvements other than buildings	69,514	1,356	—	2,288	73,158
Equipment	94,754	6,085	(1,818)	—	99,021
Infrastructure	379,727	11,689	—	18,251	409,667
Total capital assets being depreciated	935,432	19,881	(1,818)	24,258	977,753
Less accumulated depreciation for:					
Buildings	90,015	10,728	—	—	100,743
Improvements other than buildings	13,929	1,698	—	—	15,627
Equipment	43,711	6,170	(1,375)	—	48,506
Infrastructure	176,858	18,599	—	—	195,457
Total accumulated depreciation	324,513	37,195	(1,375)	—	360,333
Total capital assets being depreciated, net	610,919	(17,314)	(443)	24,258	617,420
Governmental activities capital assets, net	$ 776,755	1,237	(443)	—	777,549

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

(dollars in thousands)

The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2005. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
Business-type activities:					
Combined:					
Capital assets not being depreciated:					
Land	$ 807,497	44,159	(175)	—	851,481
Construction-in-progress	390,496	150,211	—	(13,001)	527,706
Total capital assets not being depreciated	1,197,993	194,370	(175)	(13,001)	1,379,187
Capital assets being depreciated:					
Buildings and structures	460,863	944	—	4,951	466,758
Equipment	70,160	2,261	(392)	156	72,185
Pavings	303,536	185	—	7,120	310,841
Parking meters and lot equipment	5,271	770	—	—	6,041
Reservoirs	34,393	—	—	55	34,448
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,415	—	—	177	8,592
Purification basins and equipment	37,945	14	—	267	38,226
Water mains, lines, and accessories	103,130	2,438	(29)	275	105,814
Motor vehicle equipment	8,319	217	(183)	—	8,353
Total capital assets being depreciated	1,032,693	6,829	(604)	13,001	1,051,919
Less accumulated depreciation for:					
Buildings and structures	242,224	6,120	(161)	—	248,183
Equipment	44,109	14,541	(205)	—	58,445
Pavings	174,024	10,591	—	—	184,615
Parking meters and lot equipment	3,287	409	—	—	3,696
Reservoirs	5,317	663	—	—	5,980
Boiler plant equipment	612	3	—	—	615
Pumping equipment	7,318	152	—	—	7,470
Purification basins and equipment	9,325	731	—	—	10,056
Water mains, lines, and accessories	45,522	1,283	(19)	—	46,786
Motor vehicle equipment	4,370	563	(165)	—	4,768
Total accumulated depreciation	536,108	35,056	(550)	—	570,614
Total capital assets being depreciated, net	496,585	(28,227)	(54)	13,001	481,305
Business-type activities capital assets, net	$ 1,694,578	166,143	(229)	—	1,860,492

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.

(dollars in thousands)

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

Governmental activities:	
General government	$ 5,790
Convention and tourism	4,247
Parks and recreation	2,924
Judicial	347
Streets	20,810
Public safety:	
Fire	1,683
Other	765
Health and welfare	416
Public service	213
Total depreciation expense, governmental activities	$ 37,195
Business-type activities:	
Airport	$ 28,588
Water Division	4,470
Parking Division	1,998
Total depreciation expense, business-type activities	$ 35,056

(dollars in thousands)

b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2005:

		Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
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		643	5	—	648
Parking facilities		18,897	—	—	18,897
Total capital assets being depreciated		22,540	5	—	22,545
Less accumulated depreciation for:					
Leasehold improvements		700	200	—	900
Equipment		634	5	—	639
Parking facilities		8,051	548	—	8,599
Total accumulated depreciation		9,385	753	—	10,138
Total capital assets being depreciated, net		13,155	(748)	—	12,407
SLDC capital assets, net	$	18,069	(748)	—	17,321

(dollars in thousands)

c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
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	32,371	6,358	—	38,729
Furniture, fixtures, and other equipment	2,410	682	(263)	2,829
Automotive equipment	8,528	1,529	(1,091)	8,966
Communications equipment	4,639	52	—	4,691
Computers and software	2,487	472	(103)	2,856
Aircraft	258	—	—	258
Total capital assets being depreciated	50,693	9,093	(1,457)	58,329
Less accumulated depreciation for:				
Buildings and improvements	15,431	537	—	15,968
Furniture, fixtures, and other equipment	1,615	357	(255)	1,717
Automotive equipment	6,116	1,611	(1,032)	6,695
Communications equipment	3,845	191	—	4,036
Computers and software	1,360	389	(62)	1,687
Aircraft	226	24	—	250
Total accumulated depreciation	28,593	3,109	(1,349)	30,353
Total capital assets being depreciated, net	22,100	5,984	(108)	27,976
SLPD capital assets, net	$ 23,746	5,984	(108)	29,622

(dollars in thousands)

d. Component Unit—SWMDC

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Capital assets being depreciated:				
Infrastructure	$ 7,555	385	—	7,940
Total capital assets being depreciated	7,555	385	—	7,940
Less accumulated depreciation for:				
Infrastructure	2,161	250	—	2,411
Total accumulated depreciation	2,161	250	—	2,411
SWMDC capital assets, net	$ 5,394	135	—	5,529

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, 2005, 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
Government activities:			
General fund	$ 3,038	313	3,351
Capital projects fund	—	6,371	6,371
Grants fund	6,404	—	6,404
Other governmental funds	828	—	828
Internal service	466	—	466
Total governement activities	$ 10,736	6,684	17,420
Business-type activities:			
Airport	$ 3,953	29,145	33,098
Water Division	2,095	—	2,095
Parking Division	165	11	176
Total business-type activities	$ 6,213	29,156	35,369

(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, 2004
Police	September 30, 2004
Employees'	September 30, 2004

During the current period, the Firemen's System changed its fiscal year to October 1 through September 30 so it would end at a calendar quarter for accounting purposes. The activity included on the Statement of Changes in Fiduciary Net Assets includes a 13 month period as a one-time adjustment to change the Firemen's System's fiscal year-end. All future periods will be 12 months.

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

(dollars in thousands)

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.

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, 2005 are as follows:

Annual required contribution	$ (9,722)
Interest on net pension asset	1,651
Adjustment to annual required contribution	(1,855)
Annual pension cost	(9,926)
Contributions made	2,055
Decrease in net pension asset	(7,871)
Net pension asset, beginning of year	21,647
Net pension asset, end of year	$ 13,776

The net pension asset of $13,776 as of June 30, 2005, 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.

(dollars in thousands)

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Asset
2005	$	9,926	21%	$	13,776
2004		4,517	46		21,647
2003		3,595	94		24,086

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

Date of actuarial valuation	October 1, 2004
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%

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 and 2005 fiscal years. The City received an unfavorable ruling in the initial court proceedings, and has appealed the decision. The City Counselor's Office has determined that it is probable that the City 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, 2005. A similar lawsuit has been filed against the City by the Firemen's System relating to fiscal year 2006 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; One South Memorial Drive, Suite 600; St. Louis, Missouri, 63102-2447.

Police officers may elect voluntary retirement after 20 or more years of credited service regardless of age or upon attaining age 55. The monthly allowance consists of 40% of the two-year (three-year prior to October 1, 2001) average final compensation for the first 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have at least 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. The Police System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by the State statute.

(dollars in thousands)

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, 2005 are as follows:

Annual required contribution	$ (11,664)
Interest on net pension obligation	(423)
Adjustment to annual required contribution	602
Annual pension cost	(11,485)
Contributions made	4,047
Increase in net pension obligation	(7,438)
Net pension obligation, beginning of year	(5,460)
Net pension obligation, end of year	$ (12,898)

The net pension obligation of $12,898 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
2005	$	11,485	35%	$	(12,898)
2004		9,576	43		(5,460)
2003		–	–		–

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

Date of actuarial valuation	October 1, 2004
Actuarial cost method	Aggregate (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

4) Lawsuit

The Police System has filed two 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 and 2005 fiscal years. The City received an unfavorable ruling in the initial court proceedings for one of the lawsuits. The City has appealed the decision. The City Counselor's Office has determined that it is probable that the City 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, 2005. A similar lawsuit has been filed against the City by the Police System relating to fiscal year 2006 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 normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

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 13.53% 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, 2005, are as follows:

Annual required contribution	$ (30,926)
Interest on net pension obligation	(2,375)
Adjustment to annual required contribution	2,636
Annual pension cost	(30,665)
Contributions made	12,988
Increase in net pension obligation	(17,677)
Net pension obligation, beginning of year	(29,681)
Net pension obligation, end of year	$ (47,358)

The net pension obligation of $47,358 is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	$ (34,333)
Business-type activities	(8,663)
Component unit—SLPD	(4,362)
	$ (47,358)

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
2005	$ 30,665	42.35%	(47,358)
2004	31,837	41.03	(29,682)
2003	24,124	75.72	(10,907)

(dollars in thousands)

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

Date of actuarial valuation	October 1, 2004
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, 2004
Actuarial value of assets	The book value at the beginning of the year, plus 25% of the difference between market value and book for the last four years, less the member savings fund
Investment rate of return	8.00%
Projected salary increases	3.00%
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, 2005 contributions of $287, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2005, SLDC's current covered payroll was $3,192 and total payroll amounted to $3,276. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5.5% 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 1,297 retirees, while 1,354 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 12.6 cents for every $1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was $4,989 (in dollars) per retiree for healthcare and $10 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2005.

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

(dollars in thousands)

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 51,720	37,555	(40,810)	48,465	3,245
Section 108 Loan Guarantee Assistance Programs	72,500	–	(4,280)	68,220	4,550
Federal Financing Bank advances	805	–	(40)	765	40
Tax increment financing bonds and notes payable	30,692	12,964	(1,978)	41,678	2,140
Master note purchase agreement	181	–	(60)	121	–
Loan agreement with Missouri Department of Natural Resources	1,798	–	(325)	1,473	338
Loan agreement with Metro	–	1,000	–	1,000	–
Capital lease—rolling stock	9,011	851	(3,892)	5,970	605
Capital leases—other	90	–	(90)	–	–
Capital leases—Obligations with component units	51,420	–	(405)	51,015	420
Leasehold revenue improvement and refunding bonds	311,526	61,398	(32,025)	340,899	18,940
Joint venture financing agreement	73,542	–	(5,166)	68,376	1,053
Unamortized discounts, premiums, and deferred amounts on refunding	(413)	95	(114)	(432)	–
Net pension obligation	26,527	20,704	–	47,231	12,486
Accrued vacation, compensatory, and sick time benefits	26,401	17,954	(17,016)	27,339	17,915
Landfill closure	234	9	–	243	128
Claims and judgments payable	15,713	19,730	(18,039)	17,404	10,530
Governmental activities long-term liabilities	$ 671,747	172,260	(124,240)	719,767	72,390

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.

(dollars in thousands)

	Balance, June 30, 2004	Additions	Reductions	Balance, June 30, 2005	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	$ 930,510	–	(35,775)	894,735	23,390
Net pension obligation	2,987	1,663	–	4,650	–
Other	3,103	–	(1,099)	2,004	–
Accrued vacation, compensatory, and sick time benefits	4,837	3,334	(3,106)	5,065	5,065
Unamortized discounts, premiums, and deferred amounts on refunding	(1,487)	–	1,226	(261)	–
Total Airport	939,950	4,997	(38,754)	906,193	28,455
Water Division:					
Revenue bonds payable	36,685	–	(2,365)	34,320	2,500
Customer deposits	1,354	264	–	1,618	–
Net pension obligation	2,012	1,067	–	3,079	–
Other	448	–	(52)	396	–
Accrued vacation, compensatory, and sick time benefits	2,920	1,994	(1,485)	3,429	3,429
Unamortized discounts, premiums, and deferred amounts on refunding	(1,666)	–	288	(1,378)	–
Total Water Division	41,753	3,325	(3,614)	41,464	5,929
Parking Division:					
Revenue bonds payable	68,134	–	(1,870)	66,264	1,492
Net pension obligation	575	359	–	934	–
Accrued vacation, compensatory, and sick time benefits	167	322	(328)	161	161
Unamortized discounts, premiums, and deferred amounts on refunding	(2,681)	–	153	(2,528)	–
Total Parking Division	66,195	681	(2,045)	64,831	1,653
Business-type activities long-term liabilities	$ 1,047,898	9,003	(44,413)	1,012,488	36,037

(dollars in thousands)

b. General Obligation Bonds

In June 1999, the City issued $65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of $64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of $695 sold to yield 5.15% and mature at $3,655 (collectively, the Series 1999 bonds). The proceeds of the Series 1999 bonds are being used as follows: (i) $44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) $10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) $11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

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 to 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 remain 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.

The City advance refunded the series 1999 bonds to reduce its total debt service payments over the next 10 years by approximately $4,348 and to obtain economic gain of $3,206.

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2006	$	3,245	1,603	4,848
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
2010 - 2014		17,345	5,262	22,607
2015 - 2019		17,125	2,085	19,210
	$	48,465	19,146	67,611

c. Section 108 Loan Guarantee Assistance Programs

(dollars in thousands)

During 2001, the City entered into contracts with the U.S. Department of Housing and Urban Development for Section 108 loan guarantee assistance for the following maximum amounts:

- $50,000 for Downtown Convention Headquarters Hotel project
- $20,000 for Darst-Webbe Housing Redevelopment project
- $10,000 for neighborhood projects

During 2001, the City issued a note in the amount of $50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received $5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The $50,000 note is intended to spur redevelopment in the downtown area. The $50,000 note is a 20-year note at a variable rate of interest. The $5,000 received during 2001 was an advance funding draw note related to the $20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining $15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the $10,000 funding for neighborhood projects. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

The five-year, $10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements, and public improvements. Final payment 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:			
2006	$ 4,550	3,995	8,545
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 – 2015	18,680	13,117	31,797
2016 – 2020	25,320	6,313	31,633
2021	6,050	200	6,250
	$ 68,220	37,574	105,794

(dollars in thousands)

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of $1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	$ 40	51	91
2007	45	48	93
2008	50	45	95
2009	50	42	92
2010	55	38	93
2011 - 2015	350	126	476
2016 - 2017	175	13	188
	$ 765	363	1,128

e. Tax Increment Financing Bonds 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.

(dollars in thousands)

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, 2005, the City had $33,573 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 $12,964 in TIF bonds and notes payable during fiscal year 2005.

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:					
2006	$	1,055	758	1,086	2,447
2007		1,160	647	1,166	2,367
2008		1,275	525	1,252	2,281
2009		1,405	391	1,344	2,188
2010		1,545	244	1,443	2,089
2011 – 2015		1,665	83	7,856	8,748
2016 – 2020		–	–	8,199	5,901
2021 – 2025		–	–	10,017	2,253
2026		–	–	1,210	86
	$	8,105	2,648	33,573	28,360

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, 2005, the balance of the note outstanding is $121.

(dollars in thousands)

g. Loan Agreement with Missouri Department of Natural Resources (DNR)

In July 2001, the City agreed to enter into a loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $2,000 at an annual interest rate of 4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. During fiscal year 2004, the City made draws of $1,953 against the loan agreement. The purpose of this funding is to convert signal lights to LED fixtures resulting in a projected savings of $395 per year in electricity costs.

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. As of June 30, 2005, the City has not drawn against the loan agreement.
Principal and interest requirements under the loan agreement with the DNR are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	$ 338	57	395
2007	352	43	395
2008	366	28	394
2009	381	13	394
2010	36	1	37
	$ 1,473	142	1,615

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, 2005:

	Balance, June 30, 2004	Additions	Reductions	Balance, June 30, 2005	Due Within One Year
Due to other governmental agencies	$ 8,291	2,601	(1,799)	9,093	2,025
Notes payable	9,930	960	(3,809)	7,081	4,380
Other liabilities	4,905	5,546	(7,999)	2,452	1,808
Revenue bonds	13,320	–	(260)	13,060	285
	$ 36,446	9,107	(13,867)	31,686	8,498

Maturities on notes payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	4,379	153	4,532
2007	$ 648	16	664
2008	–	4	4
2009	54	1	55
2010	2,000	–	2,000
	$ 7,081	174	7,255

Revenue bonds outstanding at June 30, 2005 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%.

(dollars in thousands)

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

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:						
2006	$ 285	142	–	569	–	214
2007	310	115	–	569	–	214
2008	335	86	–	569	–	214
2009	365	55	–	569	–	214
2010	425	19	220	562	–	214
2011 – 2015	–	–	2,430	2,395	–	1,072
2016 – 2020	–	–	5,650	1,343	–	1,072
2021 – 2025	–	–	–	–	3,040	692
	$ 1,720	417	8,300	6,576	3,040	3,906

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, 2005:

	Balance June 30, 2004	**Additions**	**Deductions**	**Balance, June 30, 2005**	**Due Within One Year**
Accrued banked overtime, vacation, and sick time leave	$ 28,029	3,088	(3,392)	27,725	7,740
Capital lease obligation	5,522	30	(1,210)	4,342	1,235
Workers' compensation	39,211	11,456	(4,699)	45,968	5,891
Net pension obligation	2,841	1,521	–	4,362	–
	$ 75,603	16,095	(9,301)	82,397	14,866

(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 ½ 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:				
2006	$	1,235	80	1,315
2007		1,255	55	1,310
2008		1,945	21	1,966
	$	4,435	156	4,591
Unamortized premium		31		
Unamortized deferred amount on refunding		(124)		
	$	4,342		

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%.

(dollars in thousands)

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%.

Principal payments of $3,892 were made on these lease agreements in fiscal year 2005. The following is a schedule of future minimum lease payments as of June 30, 2005.

Year ending June 30:	
2006	$ 903
2007	1,601
2008	785
2009	634
2010	511
2011 - 2015	1,939
2016 - 2018	1,164
Total future minimum lease payments	7,537
Amount representing interest	(1,567)
Present value of net minimum lease payments	$ 5,970

Capital assets (equipment) of $10,658 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Leases—Other

The City has a capital lease agreement for the purchase of digital equipment. This lease is due in annual installments through 2005 with an annual interest rate of 4.97%. The final lease payment of $94 was paid during fiscal year 2005 reflecting $90 in principal and $4 in interest.

Capital assets (equipment) of $223 are recorded by the City on its statement of net assets in conjunction with this capital lease.

c. 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, 2005.

Year ending June 30:	
2006	$ 970
2007	970
2008	973
2009	970
2010	971
2011 – 2015	4,836
2016 – 2020	4,872
2021 – 2022	1,957
Total future minimum lease payments	16,519
Amount representing interest	(5,504)
Present value of net minimum lease payments	$ 11,015

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.

d. 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, 2005.

Year ending June 30:	
2006	$ –
2007	–
2008	–
2009	–
2010	–
2011 – 2015	23,805
2016 – 2020	76,475
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, 2005, 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.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund. Interest rates on the Justice Center Series 2000A Bonds range from 4.75% to 6.0%.

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. As of June 30, 2005, $58,115 of these defeased Series 1996A Bonds remain outstanding.

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 use the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 1997 bonds to reduce its total debt service payments over the next 10 years by approximately $2,534 and to obtain economic gain of $1,397.

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:				
2006	$ 1,905	853	$ 2,185	927
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 – 2015	10,090	847	2,990	98
	$ 20,465	4,228	$ 15,415	3,191

	Justice Center		Forest Park	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2006	$ 5,380	5,544	$ 715	653
2007	5,860	5,268	740	632
2008	6,160	4,964	760	610
2009	6,490	4,638	785	587
2010	6,790	4,337	805	563
2011 – 2015	42,705	15,651	4,490	2,360
2016 – 2020	34,410	4,234	5,530	1,321
2021 – 2022	–	–	2,575	164
	$ 107,795	44,636	$ 16,400	6,890

	Carnahan Courthouse		Convention Center	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2006	$ –	1,139	$ 8,755	5,114
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 – 2015	2,160	5,633	57,697	13,441
2016 – 2020	6,540	4,390	–	–
2021 – 2025	8,395	2,529	24,053	31,751
2026 – 2030	4,655	379	20,944	39,731
	$ 21,750	18,626	$ 159,074	105,860

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 Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of $2,500 and preservation payments of $500 regardless of the principal and interest payments due.

(dollars in thousands)

At June 30, 2005, 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:					
2006	$	–	2,842	1,053	3,895
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 - 2015		14,850	9,711	5,439	30,000
2016 - 2020		19,280	5,179	5,541	30,000
2021 - 2022		9,215	518	(733)	9,000
	$	52,815	28,519	15,561	96,895

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, 2005 are summarized as follows:

Bond Series 1996, interest rates ranging from 5.15% to 5.35%, payable in varying amounts through 2008	$	12,205
Bond Series 1997, interest rates ranging from 4.50% to 6%, payable in varying amounts through 2028		190,500
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016		63,620
Bond Series 2001A, interest rates ranging from 4.13% to 5.63%, payable in varying amounts through 2032		435,185
Bond Series 2002, Series A, B, and C, interest rates ranging from 2.50% to 5.50%, payable in varying amounts through 2033		112,185
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019		70,340
Bond Series 2003B, interest rates of 2.05%, payable in varying amounts through 2006		10,700
		894,735
Less:		
Current maturities		(23,390)
Unamortized discounts and premiums		4,636
Deferred amounts on refunding		(4,897)
	$	871,084

The deferred amounts on refunding of $4,897 at June 30, 2005, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1993, Bond Series 1993A, and Bond Series 2000 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, 2005.

(dollars in thousands)

As of June 30, 2005, 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:				
2006	$	23,390	45,649	69,039
2007		16,235	44,843	61,078
2008		31,495	43,727	75,222
2009		28,440	42,261	70,701
2010		29,890	40,740	70,630
2011 - 2015		174,395	177,656	352,051
2016 - 2020		177,070	129,189	306,259
2021 - 2025		170,220	84,665	254,885
2026 - 2030		172,940	39,492	212,432
2031 - 2033		70,660	4,199	74,859
	$	894,735	652,421	1,547,156

In prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2005, $70,070 of outstanding revenue bonds is considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2005 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	$	5,145
Series 1998 Water Revenue Bonds, 4.1% to 4.75% Payable in varying amounts through July 1, 2014		29,175
		34,320
Less:		
Current maturities		(2,500)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds		(1,284)
Unamortized discounts		(94)
	$	30,442

1) Series 1994 Water Revenue Bonds

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

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

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

2) Series 1998 Water Revenue Bonds

In December 1998, the Water Division issued $29,225 in Series 1998 Bonds with an average interest rate of 4.56% to advance refund $27,775 of the outstanding Series 1994 Bonds, maturing between 2007 and 2014, with an average interest rate of 6.02%. The net proceeds of $28,451 (after the subtraction of an original issue discount of $190 and the payment of $584 in underwriting fees and other issuance costs) plus an additional $2,508 of Series 1994 Bonds Debt Service Fund moneys were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the $27,775 principal of the Series 1994 Bonds. As a result, this portion of the Series 1994 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. At June 30, 2005, no defeased Series 1994 Bonds remain outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,257. This difference, with a current carrying value of $1,284, is reported in the accompanying financial statements as a reduction of revenue bonds payable and is being charged to operations through the year 2014 using the bonds outstanding method.

(dollars in thousands)

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

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

		Principal	Interest	Total
Year ending June 30:				
2006	$	2,500	1,444	3,944
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 – 2015		19,585	1,894	21,479
	$	34,320	7,712	42,032

c. Parking Division

Revenue bonds outstanding at June 30, 2005 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 3.6% to 5.375%, payable in varying amounts through 2021	$	22,595
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021		10,135
Series 2002 Revenue Bonds, interest rates ranging from 5.50% to 7.25% payable in varying amounts through 2028		20,620
SLPCFC Series 2003A tax exempt revenue bonds interest rates variable not to exceeded 12% payable in varying amounts through 2028		6,115
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceeded 5% payable in varying amounts through 2038		6,799
		66,264
Less:		
Current maturities		(1,492)
Unamortized discount and deferred loss on refunding		(2,528)
	$	62,244

On November 20, 2003, the SLPCFC issued $6,730 in Series 2003A Tax Exempt Parking Revenue Bonds at a variable interest rate not to exceed 12%, and $6,882 in Series 2003B Taxable Parking Revenue Bonds at a variable interest rate not to exceed 5% for the purpose of purchasing the Cupples Garage located in downtown St. Louis. The net proceeds of the bonds were $13,127, after the deduction of $485 in underwriting fees and issuance costs. The Series 2003A and 2003B bonds are secured solely by the net revenues of the Cupples Garage, and do not constitute a general obligation of the Parking Division or of the City.

On December 23, 2004, the lease between SLPCFC and the lessor was partially terminated relative to a surface lot near the Cupples Garage. Due to the termination of the lease, the lot was sold by the lessor and transferred to a developer. Additionally, the lessor paid a mutually agreed-upon lease termination fee of $422 to the Parking Division, which is reported as miscellaneous non-operating revenue. The fee proceeds were remitted to the financial institution that had purchased the Series 2003A Bonds and were utilized to redeem $420 of the bonds maturing on June 1, 2028, plus accrued interest. These bonds were called for redemption on February 1, 2005.

On August 28, 2002, the Parking Division issued $21,005 in Subordinated Parking Revenue Bonds with interest rates ranging from 5.50% to 7.25%. The bonds consist of $17,865 in Series 2002A Subordinated Tax Exempt Parking Revenue Bonds, and $3,140 in Series 2002B Subordinated Taxable Parking Revenue Bonds. The bonds were issued for the purpose of paying the costs of acquisition and construction of two parking facilities in downtown St. Louis and redeeming the Parking Division's outstanding short-term revenue bonds payable. The net proceeds from the bonds were $19,842 (after the deduction of an original issue discount of $341 and the payment of $822 in underwriting fees and other issuance costs). The Series 2002 bonds are secured solely by the revenues from the parking garages constructed and certain other pledged Parking Division revenues, and do not constitute a general obligation of the City.

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

On December 5, 1996, the Parking Division issued $25,820 in Parking Revenue Refunding Bonds with interest rates ranging from 3.600% to 5.375% to advance refund $22,750 of outstanding Series 1992 bonds with interest rates ranging from 4.200% to 6.625%. The net proceeds of $25,250 (after payment of $570 of original issue discount) were used to pay underwriting fees, insurance, and other issuance costs, and the remaining proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds. As a result, the Series 1992 bonds are considered defeased and the liability for those bonds have been removed from the financial statements. At June 30, 2005, no Series 1992 Bonds remain outstanding.

(dollars in thousands)

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

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

		Principal	Interest	Total
Year ending June 30:				
2006	$	1,492	3,589	5,081
2007		1,582	3,503	5,085
2008		1,670	3,412	5,082
2009		2,051	3,305	5,356
2010		2,179	3,182	5,361
2011 – 2015		13,140	13,911	27,051
2016 – 2020		17,264	9,820	27,084
2021 – 2025		16,858	4,603	21,461
2026 – 2030		6,663	1,669	8,332
2031 – 2035		2,096	633	2,729
2036 – 2038		1,269	126	1,395
	$	66,264	47,753	114,017

18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2005 was as follows:

		Balance June 30, 2004	Issued	Redeemed	Balance June 30, 2005
Tax revenue anticipation notes	$	–	47,000	(47,000)	–

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, 2005, commercial paper of $1,000 was outstanding. This commercial paper bore interest at rate of 2.52% and was due on August 16, 2005.

(dollars in thousands)

Following is a summary of the changes in commercial paper for the Airport for the year ended June 30, 2005:

	Balance June 30, 2004	Issued	Redeemed	Balance June 30, 2005
Commercial paper payable	$ 10,000	9,000	(18,000)	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	December 2003	December 2003
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997A debt service reserve	Series 1997B debt service	Series 2001A debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.332%	5.352%	5.422%
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)	$13,911	$14,970	$7,034	$2,907	$12,382	$17,050
Obligation (representing the unamortized portion of lump sum payment) recorded on the statement of fund net assets at June 30, 2005	$1,231	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	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	5.463%	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)	$1,745	$782	$3,232	$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	$396	N/A

In July 2003, Airport forward purchase agreement I was amended to replace Bond Series 1993A with Bond Series 2003B. No payment was made in consideration of this amendment.

For the Airport forward purchase agreement I and the Water Division forward purchase agreement, in exchange for the lump-sum payment received, the City has contracted to buy qualified eligible securities from financial institutions every month until the bonds mature, are called, or are refinanced. These institutions receive the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the City and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense.

(dollars in thousands)

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, 2005, these fair values are as follows:

Agreement	Fair Value
Airport II	$ 5,057
Airport III	671
Airport IV	284
Airport V	1,172
Airport VI	3,566
Airport VII	584
Airport VIII	237
Airport IX	605
Parking Division	1,182

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, 2005 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, 2005 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, 2005. Should the financial institutions fail to perform according to the terms of the agreement, the Airport, the Water Division and the Parking Division face a maximum possible loss equivalent to the agreements' fair value.

(dollars in thousands)

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, 2005, 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:	
2006	$ 1,335
2007	956
2008	775
2009	561
2010	455
2011 – 2015	2,315
2016 – 2020	972
2021 – 2025	250
2026 – 2028	138
	$ 7,757

b. The Airport has long-term use agreements and leases with signatory air carriers, which expire on December 31, 2005. The Airport and the signatory air carriers have negotiated the terms of a new 5½-year use agreement to replace the current agreement upon its expiration.

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.

(dollars in thousands)

- 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 2005, revenues from signatory air carriers accounted for 56% 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, 2005:

		Signatory	Non-signatory	Total
Airfield	$	35,569	7,219	42,788
Terminal and concourses		23,469	414	23,883
Hangars and other buildings		387	30	417
Cargo buildings		1,847	–	1,847
	$	61,272	7,663	68,935

(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:		
2006	$	20,367
2007		15,202
2008		15,520
2009		11,544
2010		6,693
2011 - 2015		19,113
2016 - 2020		5,121
2021 - 2025		3,587
2026 - 2030		3,562
2031 - 2035		3,206
Total minimum future rentals	$	103,915

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to $14,748 for the year ended June 30, 2005.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2008. Expenses for operating leases and service agreements were $1,207 for the year ended June 30, 2005. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:		
2006	$	134
2007		96
2008		85
Total minimum future rentals	$	315

(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:	
2006	$ 255
2007	255
2008	255
2009	255
2010	255
2011 – 2015	1,428
2016 – 2017	502
	$ 3,205

Rent expenditures, net of $422 in rents received, were $294 during the year ended June 30, 2005.

Additionally, at June 30, 2005, SLDC was committed for approximately nine 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, 2005 are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Special revenue—grants fund	$ 7,532
	Other governmental nonmajor funds	110
	Enterprise:	
	Airport	1,579
	Water Division	834
	Parking Division	894
	Internal service funds	5,265
		16,214
Other governmental nonmajor funds	General fund	676
	Capital projects fund	219
	Other governmental nonmajor funds	1,085
		1,980
Internal service funds	General fund	327
	Enterprise:	
	Airport	1,599
	Water Division	1,713
	Parking Division	223
		3,862
		$ 22,056

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, 2006.

(dollars in thousands)

22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005 consisted of the following:

		Transfer To				
		General fund	Capital projects fund	Other Govern-mental Funds	Parking Division	Total
Transfer From	General fund	$ –	1,344	1,259	–	2,603
	Capital projects fund	1,570	–	–	–	1,570
	Other govern-mental funds	10,541	8,283	235	1,149	20,208
	Airport	5,570	–	–	–	5,570
	Water Division	2,555	–	–	–	2,555
	Parking Division	150	–	–	–	150
		$ 20,386	9,627	1,494	1,149	32,656

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, 2005, 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, 2005, no amounts had been drawn against the letter of credit by DNR. At June 30, 2005, $243 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, 2005, the City had outstanding commitments amounting to approximately $26,310, resulting primarily from service agreements.

Additionally, at June 30, 2005, the Airport had outstanding commitments amounting to approximately $118,892 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 31% of the Airport's total operating revenues and 38% of total revenues from signatory air carriers for the fiscal year ended June 30, 2005. Airport accounts receivable at June 30, 2005 contained $(27) relating to amounts owed to the Airport by American. This amount includes $(3) of unbilled aviation revenues at June 30, 2005.

1) Decision by American to Reduce Operations at the Airport

On November 1, 2003, American's activities at the Airport were reduced as follows:

- The number of daily flights offered by American was reduced from 417 to 213.
- American discontinued nonstop flights to 25 cities.
- American reduced the number of gates that it operates at the Airport.

In order to address the significant decrease in aviation activity caused by American's decision, Airport management has developed a plan comprised of the following action steps:

Action steps for the current operations include the following:

- Effective November 1, 2003, the Airport has increased the airfield-landing rate from $2.45 to $3.40 (in dollars) per thousand pounds of landed weight. Effective July 1, 2004, the Airport increased the airfield landing rate again from $3.40 to $4.07 per thousand pounds of landed weight.
- The Airport reviewed its fiscal year 2005 operations and maintenance budget and identified annual reductions totaling $7,000, consisting of eliminating 105 personnel positions ($5,000) and reductions of various non-personnel expenses ($2,000).
- The Airport reevaluated its five-year capital improvement program and deferred $90,000 of improvements originally scheduled to be made in fiscal year 2004.
- The Airport developed a marketing campaign to aggressively pursue new service from existing or new airlines. As of August 2004, the Airport has successfully secured 55 additional flights from both existing and new carriers, and obtained nine flight upgrades.

Action steps for Phase I of the Airport development program include:

- The Airport reevaluated its Phase I of the Airport Development Program, which resulted in the deferral of approximately $85,000 in expenses.
- The Airport secured increased funding totaling $85,000 with the Federal Aviation Administration in the Airport's current Letter of Intent (LOI) funding. The increased funding is comprised of $50,000 for construction, $20,000 for noise abatement, and $10,000 advanced LOI funding.

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 decline 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 $7,607 for the year ended June 30, 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 1,937 parcels to be acquired. As of August 1, 2005, 1,782 offers have been extended; of these, 1,735 offers have been accepted; of these, 1,695 real estate transactions have been closed; of these, 1,638 properties have been vacated by the sellers and are in the possession of the Airport; and of these, 1,508 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.

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, 2005.

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, 2005.

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 $17,217 at June 30, 2005, 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 $187 at June 30, 2005 relating to such matters is recorded in the self-insurance internal service fund—health.

(dollars in thousands)

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, 2005 and, for the years ended June 30, 2005, 2004, and 2003, settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2005 and 2004 are as follows:

	Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2005	$ 15,713	19,730	(18,039)	17,404
2004	24,856	27,913	(37,056)	15,713

Additionally, there is a range of general liability claims outstanding, from $2,206 to $2,518, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimateable.

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.

Prior to Janury 11, 2005, SLPD was covered by PFPC for certain self-insured risks (most general liability and various other claims and legal actions). Accounting for and funding of these self-insured risks was generally covered by the City. On January 11, 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, SLPD is an agency of the state. As an agency of the state, SLPD is covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2005, these liabilities amounted to $45,968 for workers' compensation. Of SLPD's total worker's compensation liability, $36,509 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 $1,092 for the year ended June 30, 2005.

(dollars in thousands)

Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2005 and 2004 are as follows:

	Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2005	$ 39,211	11,456	(4,699)	45,968
2004	24,778	19,849	(5,416)	39,211

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, 2005 could not be determined; however, the original issue amounts totaled approximately $1.8 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 2005, the City issued $45,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 30, 2006 and bear interest at a rate of 4.00% per year.

b. Issuance of Justice Center Leasehold Revenue Refunding Bonds Series 2005

On August 17, 2005, the SLMFC issued Justice Center Leasehold Revenue Refunding Bonds Series 2005 in the amount of $15,485. The proceeds are being issued to refund the Justice Center Leasehold Revenue Bonds Series 2000A. The Series 2005 bonds are due in installments through February 2020.

c. Issuance of Airport Revenue Refunding Bonds Series 2005

On July 7, 2005, the Airport issued $263,695 in Series 2005 Airport Revenue Refunding bonds that, together with other Airport funds, were used to advance refund $273,955 of Series 1997A, Series 2001A, and Series 2002A revenue bonds. The Series 2005 bonds mature in installments from 2014 to 2032 and bear interest at rates varying between 4.00% and 5.50%.

d. Airport Commercial Paper

On August 16, 2005, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due November 2, 2005, at an annual interest rate of 2.75% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction, and enlargement of facilities, appurtenances, and equipment at the Airport.

e. Tax Increment Revenue Notes

Subsequent to June 30, 2005, the City issued tax increment revenue notes totaling $10,715 with interest rates ranging from 5.5% to 7.5%.

f. Rolling Stock

On September 30, 2005, the City amended its capital lease agreement to increase the capital lease by $942 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in semi-annual installments from 2006 through 2009 with an annual interest rate of 3.90%.

g. Dissolution of SLMFC—II

On November 1, 2005, the Secretary of State for the State of Missouri issued a Certificate of Termination for the St. Louis Municipal Finance Corporation II(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.

h. SLPD Claims Liability

On August 28, 2005, Missouri legislation became effective modifying the coverage provided to the SLPD by the State for general liability and various other claims and legal actions. State of Missouri Senate Bill No. 420 provides that the State is liable annually for funding general liability claims on an equal share basis per claim with the PFPC, up to a maximum of $1,000. SLPD is covered by PFPC for most general liability and various other claims and legal actions exceeding the limitations set forth by the enacted legislation.

29. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

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. As part of a total compensation package, many governments offer postemployment benefit plans other than pensions such as healthcare, life insurance, and so forth. 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 statement.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section,* revises the requirements of the statistical section of the Comprehensive Annual Financial Report (CAFR) to provide more uniform requirements for the statistical schedules required, to indicate how the schedules apply to various types of governmental entities, and to update the schedules to address the new information required by GASB Statement No. 34. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 46, *Net Assets Restricted by Legislation,* clarifies that a legally enforceable enabling legislation restriction is one that a party external to the government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. This may impact the extent to which governments report net assets as restricted. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 47, *Accounting for Termination Benefits,* provides accounting and reporting guidance for entities that offer benefits such as early retirement incentives or to employees who are involuntarily terminated. The statement is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements by requiring that similar forms of termination benefits be accounted for in the same manner. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

APPENDIX C

DEFINITIONS OF WORDS AND TERMS

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS

The following definitions apply to the summaries of the Financing Agreement and the Indenture, and to words and terms not otherwise defined in the Official Statement. Reference is made to the Project Indentures and the Financing Agreement for complete definitions of all terms.

"1991 Resolution" means the resolution adopted by the Authority on July 26, 1991 which authorized the issuance of the Series C 1991 Bonds and, among other things, the execution and delivery of the Original Indenture.

"1997 Resolution" means the resolution adopted by the Authority on February 27, 1997 which authorized the issuance of the Series C 1997 Bonds and, among other things, the execution and delivery of the Amended Indenture.

"2007 Resolution" means the resolution adopted by the Authority on October 6, 2006 which authorized the issuance of the Series C 2007 Bonds and, among other things, the execution and delivery of the Indenture.

"Act" means Sections 67.650 to 67.658 of the Revised Statutes of Missouri, as amended.

"Additional Bonds" means the additional parity Bonds authorized to be issued by the Authority pursuant to the Indenture.

"Additional Payments" means the additional payments defined in the Agreement and described under the caption **"THE FINANCING AGREEMENT - Additional Payments"** in ***Appendix D***.

"Agreement" or **"Financing Agreement"** means the Project Financing, Construction and Operation Agreement, dated as of August 1, 1991, among the Authority, the State, the City and the County, as from time to time amended and supplemented in accordance with the provisions of the Agreement and of the Indenture.

"Agreement Term" means the period from the effective date of the Agreement until the expiration thereof as described under the caption **"THE FINANCING AGREEMENT - Term of Agreement"** in ***Appendix D***.

"Ambac Assurance" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation.

"Amended Indenture" means the Amended and Restated Trust Indenture, dated as of February 1, 1997, between the Authority and UMB Bank & Trust, N.A., formerly known as State Street Bank and Trust Company of Missouri, N.A., which amended and restated the Original Indenture, and which is being amended and restated by the Indenture.

"Authority" means the Regional Convention and Sports Complex Authority, a body politic and corporate and a public instrumentality duly organized and existing under the laws of the State of Missouri, and its successors and assigns.

"Authorized Authority Representative" means the person or persons at the time designated, by written certificate furnished to the State, the City, the County and the Trustee, as the person or persons authorized to act on behalf of the Authority.

"Authorized City Representative" means the person or persons at the time designated, by written certificate furnished to the Authority and the Trustee, as the person or persons authorized to act on behalf of the City.

"Base Rental Payments" means that portion of each Sponsor's Sponsor Payments designated as Base Rental Payments in the Agreement, such amount for the State being $10,000,000 in each of the Fiscal Years through the Fiscal Year ending June 30, 2021 and $5,000,000 in the Fiscal Year ending June 30, 2022; for the County being $5,000,000 in each Fiscal Year ending December 31, 2021; and for the City being $5,000,000 in each of the Fiscal Years through the Fiscal Year ending June 30, 2021 and $2,500,000 in the Fiscal Year ending June 30, 2022.

"Beneficial Owner" means, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person's subrogee.

"Bond Counsel" means counsel nationally recognized on the subject of municipal bonds selected or approved by the Authority.

"Bond Fund" means the Regional Convention and Sports Complex Authority Bond Fund for Convention and Sports Facility Project Bonds – The City of St. Louis, Missouri, Sponsor, referred to in the Indenture.

"Bond Insurance Policy" means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Series C 2007 Bonds as provided therein.

"Bond Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation.

"Bond Purchase Agreement" means, with respect to the Series C 2007 Bonds, the Forward Delivery Bond Purchase Agreement dated October 6, 2006, among the Authority, the City, and Morgan Stanley & Co. Incorporated, as representative of the underwriters named therein.

"Bond Registrar" means the Trustee, acting as such, or any other corporation acting as agent of the Trustee for such purpose or designated by the Indenture or any Supplemental Indenture as bond registrar thereunder, and their respective successors or assigns.

"Bond Reserve Fund" means the Regional Convention and Sports Complex Authority Bond Reserve Fund for Convention and Sports Facility Project Bonds - The City of St. Louis, Missouri, Sponsor, referred to in the Indenture.

"Bond Proceeds Account" means the Bond Proceeds Account of the Preservation Fund referred to in the Indenture.

"Bond Reserve Fund" means the Regional Convention and Sports Complex Authority Bond Reserve Fund for Convention and Sports Facility Project Bonds – The City of St. Louis, Missouri, Sponsor, referred to in the Indenture.

"Bond Reserve Requirement" means, with respect to the Series C 2007 Bonds, $5,870,772, and, with respect to any other series of Additional Bonds, the amount specified in the Supplemental Indenture authorizing the issuance of such Additional Bonds; provided, however, that such amount shall not exceed the sum which, when added to the amount in the Bond Reserve Fund, shall equal the lesser of (i) 10% of the proceeds of all Outstanding Bonds, (ii) 125% of the average annual debt service on all Outstanding Bonds, (iii) the maximum annual debt service on all Outstanding Bonds and (iv) the maximum amount which may be invested without yield restriction under the Code, as evidenced by an opinion of Bond Counsel; provided, further, that if the Trustee shall receive an opinion of Bond Counsel to the effect that the Bond Reserve Requirement exceeds the amount which may be invested without yield restriction under the Code, the Trustee shall yield restrict the portion of such Bond Reserve Fund which cannot be invested without yield restriction in such investments as the Authority shall direct, which Authority direction may, if expressly permitted in such opinion of Bond Counsel, include yield restriction by making yield reduction payments to the U.S. Treasury.

"Bondholder" or **"Bondowner"** means the registered owner of any Bond or Bonds.

"Bonds" means the Series C 1991 Bonds, the Series C 1997 Bonds, the Series C 2007 Bonds and any other Additional Bonds authenticated and delivered under and pursuant to the Indenture; provided, however that the Series C 1991 Refunded Bonds and the Refunded Bonds are, by the defeasance provisions of the Indenture, no longer Outstanding thereunder.

"Business Day" means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the States of Missouri or New York are authorized by law to close.

"Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

"City" means The City of St. Louis, Missouri, a municipal corporation and political subdivision of the State of Missouri, and its successors and assigns.

"City Financing Amount" means the amounts to be appropriated by the City in each Fiscal Year as provided in the Agreement, said amount being $6,000,000 in each of the Fiscal Years through the Fiscal Year ending June 30, 2021 and $3,000,000 in the Fiscal Year ending June 30, 2022.

"City Obligations" means the City Payments and other moneys received by the Authority under the Agreement and directed to be deposited by the Authority with the Trustee under the Indenture.

"City Payments" means the payments to be made by the City in each year during the Agreement Term consisting of the Base Rental Payments and the Preservation Payments to be made on each February 1 and August 1 during the Agreement Term as set forth in the Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of May 1, 2007, between the City and UMB Bank & Trust, N.A., as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Conventions" means privately held meetings of professional groups or associations attended by members of such groups and/or associations, and may include exhibits incident to such meetings or of interest to those attending such meetings. For the purposes hereof, the term "Conventions" is not intended to include: trade shows and similar exhibit events designed to show products to wholesalers, retailers and industry purchasers, consumer shows featuring exhibitions of merchandise for sale and/or display to attendees, concerts, family shows, sporting events other than professional football, banquets, meetings, dances and similar events.

"Cost of Issuance Fund" means the Regional Convention and Sports Complex Authority Cost of Issuance Fund for Convention and Sports Facility Project Bonds, referred to in the Indenture.

"County" means St. Louis County, Missouri, a county and political subdivision of the State of Missouri, and its successors and assigns.

"County Financing Amount" means the amounts to be appropriated by the County in each Fiscal Year as provided in the Agreement being $6,000,000 in each of Fiscal Years the Fiscal Year ending December 31, 2021.

"County Indenture" means the Second Amended and Restated Trust Indenture, dated as of August 1, 2003, between the Authority and UMB Bank & Trust, N.A., as trustee, as from time to time further amended and supplemented in accordance with the provisions thereof.

"County Obligations" shall mean the County Payments and other moneys received by the Authority under the Agreement and directed to be deposited by the Authority with the Trustee under the County Indenture.

"County Payments" means the payments to be made by the County in each year during the Agreement Term consisting of the Base Rental Payments and the Preservation Payments to be made on each February 1 and August 1 during the Agreement Term as set forth in the Agreement.

"Credit Agreement" means an agreement between a Credit Provider and the Authority providing for Credit Enhancement Fees and other matters relating to the provision and maintenance of the Credit Enhancement.

"Credit Enhancement" means a letter of credit or insurance policy for the benefit of the Trustee, with a term of not less than the lesser of one year or the remaining term of the Bonds, provided by a Credit Provider.

"Credit Enhancement Fee Fund" means the Regional Convention and Sports Complex Authority Credit Enhancement Fee Fund for Convention and Sports Facility Project Bonds – The City of St. Louis, Missouri, Sponsor, referred to in the Indenture.

"Credit Enhancement Fees" means any amounts due and payable to a Credit Provider pursuant to a Credit Agreement.

"Credit Provider" means a bank or insurance company, rated at least A by Moody's Investors Service and Standard & Poor's and, if the Bonds are rated by such Rating Service, Fitch, and whose rating from Moody's, Standard & Poor's and Fitch, to the extent such Rating Services have a rating on the Bonds, is not lower than the rating which such Rating Service has on the Bonds, which has provided the Credit Enhancement and in connection therewith does not have a lien on the Trust Estate which is prior to the lien of the Bonds.

"Default" or **"Event of Default"** means, with respect to the Indenture, any occurrence or event specified in ***Appendix D*** under the caption **"THE INDENTURE - Events of Default"** and with respect to the Financing Agreement, any occurrence or event specified in ***Appendix D*** under the caption **"THE FINANCING AGREEMENT - Events of Default."**

"Defaulted Interest" shall mean interest on any Bond which is payable but not paid on the date due.

"DTC" means The Depository Trust Company of New York, New York.

"Escrow Agent - 1997" means UMB Bank & Trust, N.A., formerly known as State Street Bank and Trust Company of Missouri, N.A., located in St. Louis, Missouri, and any successor.

"Escrow Agent - 2007" means UMB Bank & Trust, N.A., located in St. Louis, Missouri, and any successor.

"Escrow Agreement - 1997" means the Escrow Trust Agreement dated as of February 1, 1997, between the Authority and the Escrow Agent - 1997.

"Escrow Agreement - 2007" means the Escrow Trust Agreement dated as of May 1, 2007, between the Authority and the Escrow Agent - 2007.

"Escrow Fund - 2007" means the Escrow Fund - 2007 referred to in the Indenture.

"Event of Non-Appropriation" shall have the meaning described under the caption **"THE FINANCING AGREEMENT - Event of Non-Appropriation"** in ***Appendix D***.

"Expense Fund" means the Regional Convention and Sports Complex Authority Expense Fund for Convention and Sports Facility Project Bonds, referred to in the Indenture.

"Fiscal Year" means, with respect to the State and the City, each twelve-month period beginning on July 1 and ending on June 30, and, with respect to the County, each twelve-month period beginning on January 1 and ending on December 31, as such Fiscal Year may be changed from time to time by appropriate legislation and notice from the relevant Sponsor to the Trustee.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such group shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

"Full Insurable Value" means the actual replacement cost of the Project, less physical depreciation and exclusive of land, excavations, footings, foundations and parking lots, but in no event shall such value be less than the principal amount of the Project Bonds at the time Outstanding.

"Government Securities" means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America or securities which represent an undivided interest in such obligations to the extent that the Treasury of the United States of America is ultimately responsible for payment thereof.

"Governmental Obligations" means noncallable direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America or securities which represent an undivided interest in such obligations to the extent that the Treasury of the United States of America is ultimately responsible for payment thereof.

"Holder" means the registered owner of any Bond or Bonds.

"Indenture" means the Second Amended and Restated Trust Indenture, dated as of May 1, 2007, between the Authority and the Trustee, which amends and restates the Amended Indenture (which amended and restated the Original Indenture), as from time to time further amended and supplemented in accordance with the provisions thereof.

"Interest Payment Date" means each date on which interest on the Bonds is due in accordance with the Indenture.

"Investment Securities" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America);

(3) 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
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(4) 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 rated "AAA" by Standard & Poor's and "Aaa" by Moody's issued by the Fannie Mae or the Federal Home Loan Mortgage Corporation (FHLMC)
- obligations of the Resolution Funding Corporation (REFCORP)
- senior debt obligations of the Federal Home Loan Bank System
- senior debt obligations of other government-sponsored agencies approved by the Bond Insurer;

(5) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(6) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(7) investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's;

(8) 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 government 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 Standard & Poor's and Moody's 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 (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;

(9) municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and Standard & Poor's;

(10) any investment agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel); and

(11) other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

"Value", which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(1) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(4) as to any investment not specified above: the value thereof established by prior agreement between the Authority, the Trustee and the Bond Insurer.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such group shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

"Net Proceeds" means, when used with regard to any insurance or condemnation award with respect to the Project, the gross proceeds from the insurance or condemnation award less the payment of all expenses (including attorneys' fees, trustee's fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

"Original Indenture" means the Trust Indenture, dated as of August 1, 1991, between the Authority and Mercantile Bank of St. Louis National Association, predecessor to the Trustee, which was amended and restated by the Amended Indenture.

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

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Bonds deemed paid in accordance with the provisions of the Indenture; and

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

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

"Owner" means the registered owner of any Bond or Bonds.

"Participant" means any broker-dealer, bank or other financial institution for which DTC holds Bonds as securities depository.

"Paying Agent" means the Trustee and any other bank or trust company designated pursuant to the Project Indentures as paying agent for any series of Bonds and at which the principal of, premium, if any, and interest on any such Bonds shall be payable.

"Payment Date" means each Interest Payment Date and each Principal Payment Date.

"Preservation Costs" means the cost of repairs and replacements of the physical structure, fixtures, appurtenances, furniture, machinery, equipment and components which are necessary to preserve the physical integrity, value, utility, use and marketability to users and potential users of the Project, and shall include:

(i) repair and replacement of major facility fixtures, appurtenances, furniture, machinery, equipment and components that are not required on a yearly basis, but are scheduled for repair or replacement on the basis of a periodic facility inspection and life cycle standards;

(ii) renovation projects which are necessary to maintain the Project to then current and acceptable standards of utility; and

(iii) emergency repairs which require immediate attention.

"Preservation Fund" means the Regional Convention and Sports Complex Authority Preservation Fund for Convention and Sports Facility Project Bonds, referred to in the Indenture.

"Preservation Payments" means that portion of each Sponsor's Sponsor Payments designated as Preservation Payments in the Agreement, such amount for the State being $2,000,000 in each of the Fiscal

Years through the Fiscal Year ending June 30, 2021 and $1,000,000 in the Fiscal Year ending June 30, 2022; for the County being $1,000,000 in each the Fiscal Year through the Fiscal Year ending December 31, 2021; and for the City being $1,000,000 in each of the Fiscal Years through the Fiscal Year ending June 30, 2021 and $500,000 in the Fiscal Year ending June 30, 2022.

"Principal Payment Date" means each date on which principal of the Bonds is due in accordance with the Indenture.

"Project" means the acquisition, planning, construction, equipping and improving of a multi-purpose convention and stadium facility adjoining the existing A. J. Cervantes Convention Center in the City of St. Louis, Missouri, including the Project Site, the Project Improvements, and the Project Equipment, as they may at any time exist.

"Project Additions" means all additions, improvements, extensions, alterations, expansions or modifications of the Project or any part thereof financed with the proceeds of the Additional Bonds.

"Project Bonds" means, collectively, the bonds issued under the Indenture, the County Indenture, and the State Indenture.

"Project Equipment" means the items of machinery, equipment or other personal property paid for in whole or in part from the proceeds of the Project Bonds, and all replacements thereof and substitutions therefor made pursuant to the Agreement.

"Project Fund" means the Regional Convention and Sports Complex Fund created pursuant to the Act and ratified in the Indenture.

"Project Improvements" means all of the improvements including all buildings, structures, improvements and fixtures located on or to be purchased, constructed and otherwise improved on the Project Site pursuant to the Agreement, and all additions, alterations, modifications and improvements thereof made pursuant to the Agreement.

"Project Indentures" means, collectively, the State Indenture, the Indenture, and the County Indenture.

"Project Site" means all of the real estate or interest therein acquired from time to time pursuant to the provisions of the Agreement which may include the real estate described therein.

"Rating Service" means any rating agency which has outstanding a current credit rating on the Bonds.

"Rebate Fund" means the Regional Convention and Sports Complex Authority Rebate Fund for Convention and Sports Facility Project Bonds - The City of St. Louis, Missouri, Sponsor, referred to in the Indenture, which shall contain a Series 1991 Account, a Series 1997 Account and a Series 2007 Account.

"Record Date" means the first day (whether or not a Business Day) of the calendar month of the applicable Interest Payment Date.

"Refunded Bonds" means all of the remaining Series C 1997 Bonds.

"Registered Owner" means the registered owner of any Bond or Bonds.

"Representation Letter" means the Blanket Issuer Letter Representations from the Authority to DTC.

"Resolution" means collectively, the 1991 Resolution, the 1997 Resolution, and the 2007 Resolution, authorizing the execution and delivery of the Indenture and the Agreement and the issuance of the Bonds.

"Series C 1991 Bonds" means the Authority's Convention and Sports Facility Project Bonds, Series C 1991 (The City of St. Louis, Missouri, Sponsor), issued in the original aggregate principal amount of $60,075,000 pursuant to the Original Indenture.

"Series C 1991 Refunded Bonds" means a portion of the Series C 1991 Bonds maturing on August 15, 2021.

"Series C 1997 Bonds" means the Authority's Convention and Sports Facility Project and Refunding Bonds, Series C 1997 (The City of St. Louis, Missouri, Sponsor), issued in the original aggregate principal amount of $61,285,000 pursuant to the Amended Indenture.

"Series C 2007 Bonds" means the Authority's Convention and Sports Facility Project Refunding Bonds, Series C 2007 (The City of St. Louis, Missouri, Sponsor), in the aggregate principal amount of $49,585,000, authenticated and delivered under and pursuant to the Indenture.

"Special Record Date" means the date fixed by the Trustee pursuant to the Indenture for the payment of Defaulted Interest.

"Sponsor" means each of, and **"Sponsors"** means collectively, the City, the County, and the State.

"Sponsor Payment Date" means any date on which Sponsor Payments are due as set forth in the Agreement, which shall be each February 1 and August 1, ending on August 1, 2021.

"Sponsor Payments" means, collectively, the City Payments, the County Payments, and the State Payments.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, its successors and assigns, and, if such group shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

"State" means the State of Missouri, and its successors and assigns.

"State Financing Amount" means the amounts to be appropriated by the State in each year during the Agreement Term, as provided in the Agreement being $12,000,000 in each of the Fiscal Years through the Fiscal Year ending June 30, 2021 and $6,000,000 in the Fiscal Year ending June 30, 2022.

"State Indenture" means the Second Amended and Restated Trust Indenture, dated as of August 1, 2003, between the Authority and UMB Bank & Trust, N.A., as trustee as from time to time amended and supplemented in accordance with the provisions thereof.

"State Obligations" means the State Payments and other moneys received by the Authority under the Agreement and directed to be deposited by the Authority with the Trustee under the State Indenture.

"State Payments" means the payments to be made by the State in each year during the Agreement Term consisting of the Base Rental Payments and the Preservation Payments to be made on each February 1 and August 1 during the Agreement Term as set forth in the Agreement.

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

"Tax Agreement" means, with respect to the Series C 2007 Bonds, the Tax Letter of Instructions, dated as of the date of issuance of the Series C 2007 Bonds, from Thompson Coburn LLP and Armstrong Teasdale LLP, as co-bond counsel, and accepted by the Authority, with respect to the Series C 2007 Bonds, as from time to time amended and supplemented in accordance with the provisions thereof.

"Trust Estate" means (a) all right, title and interest of the Authority in and to all City Obligations under the Agreement, and all City Payments and other payments, revenues and receipts derived by the Authority from the City under and pursuant to and subject to the provisions of the Agreement (except for the rights of the Authority to receive moneys for its own account under the Agreement); and (b) all moneys and securities from time to time held by the Trustee under the terms of the Indenture (but excluding any moneys held by the Trustee in the Rebate Fund) and any and all other moneys and property of every kind and nature from time to time thereafter, by the terms of the Agreement, by delivery or by writing of any kind, pledged, absolutely assigned or transferred as and for additional security thereunder by the Authority or by anyone in the Authority's 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 thereof; excepting that all moneys and securities held by the Escrow Agent - 1997 under the Escrow Agreement - 1997 or by the Escrow Agent - 2007 under the Escrow Agreement - 2007 are expressly excepted and excluded from the lien and operation of the Indenture.

"Trustee" means UMB Bank & Trust, N.A. (formerly known as State Street Bank and Trust Company of Missouri, N.A.), St. Louis, Missouri, successor to Mercantile Bank of St. Louis National Association, and any successor or successors and any other corporation or association which at the time may be substituted in its place pursuant to and at the time serving as Trustee under the Indenture.

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APPENDIX D

SUMMARY OF CERTAIN LEGAL DOCUMENTS

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APPENDIX D

SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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THE INDENTURE

The following is a summary of certain provisions and covenants contained in the Indenture. Such summary does not purport to be a complete statement of the terms of the Indenture and accordingly is qualified in its entirety by reference thereto and is subject to the full text thereof.

Trust Estate

The Authority, in order to secure the payment of the principal of, redemption premium, if any, and interest on all of the Bonds, and to secure the performance and observance by the Authority of all the covenants, agreements and conditions in the Indenture and in the Bonds contained, transfers, pledges, assigns and grants a security interest to the Trustee and its successors and absolutely assigns forever, such absolute assignment being a choate grant and transfer, in the property described below (said property being herein called the "Trust Estate"), to wit:

(a) All right, title and interest of the Authority in and to all City Obligations under the Agreement, and all City Payments and other payments, revenues and receipts derived by the Authority from the City under and pursuant to and subject to the provisions of the Agreement (except for the rights of the Authority to receive moneys for its own account under the Agreement); and

(b) All moneys and securities from time to time held by the Trustee under the terms of the Indenture (but excluding any moneys held by the Trustee in the Rebate Fund) and any and all other moneys and property of every kind and nature from time to time, by the terms of the Agreement, by delivery or by writing of any kind, pledged, absolutely assigned or transferred as and for additional security under the Indenture by the Authority or by anyone in the Authority's 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.

EXCEPTED PROPERTY

All moneys and securities held by the Escrow Agent - 1997 under the Escrow Agreement - 1997 or by the Escrow Agent - 2007 under the Escrow Agreement - 2007 are expressly excepted and excluded from the lien and operation of the Indenture.

Authorization of Series C 1991 Bonds, Series C 1997 Bonds, and Series C 2007 Bonds

There has been issued and secured by the Indenture a series of Bonds for the purpose of providing funds to pay a portion of the costs of the Project, which series of Bonds were designated "Convention and Sports Facility Project Bonds, Series C 1991 (The City of St. Louis, Missouri, Sponsor)" (the "Series C 1991 Bonds").

There has been issued and secured by the Indenture a series of Bonds for the purpose of providing funds to refund a portion of the Series C 1991 Bonds maturing on August 15, 2021 (the "Series C 1991 Refunded Bonds") and to pay a portion of the costs of certain Project Additions, which series of Bonds was designated "Convention and Sports Facility Project and Refunding Bonds, Series C 1997 (The City of St. Louis, Missouri, Sponsor)" (the "Series C 1997 Bonds").

There shall be issued and secured by the Indenture a series of Bonds for the purpose of providing funds to refund all of the Series C 1997 Bonds (the "Refunded Bonds") and to pay costs and expenses in connection with the hereinafter described Series C 2007 Bonds, which series of Bonds shall be designated "Convention and Sports Facility Project and Refunding Bonds, Series C 2007 (The City of St. Louis, Missouri, Sponsor)" (the "Series C 2007 Bonds"). Upon the issuance of the Series C 2007 Bonds, the Series C 2007 Bonds shall be the only Bonds Outstanding under the Indenture.

The Series C 2007 Bonds shall be dated as of the date of their initial issuance and delivery, and shall become due on August 15 in the years and in the respective principal amounts (subject to prior redemption as provided in the Indenture) and shall bear interest at the rates per annum and in the aggregate principal amount shown on the cover page of the Official Statement. The Series C 2007 Bonds shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) from their dated date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, on February 15 and August 15 in each year, beginning August 15, 2007.

Authorization of Additional Bonds

Additional Bonds may be issued under and be equally and ratably secured by the Indenture on a parity with any Bonds Outstanding, at any time and from time to time, with the prior written consent of the Authorized City Representative, upon compliance with the conditions provided in the Indenture, for any of the following purposes: (1) to provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof; (2) to provide funds to pay all or any part of the costs of acquisition, construction, improvement, extension, enlargement, repair, remodeling, renovating, furnishing and equipping of Project Additions as the Authority may deem necessary or desirable; and (3) to provide funds for the purpose of refunding all or a portion of the Bonds of any series then Outstanding, including the payment of any premium thereon and interest to accrue to the designated redemption date and any costs and expenses in connection with such refunding.

Before any Additional Bonds shall be issued under the provisions of the Indenture, the Authority shall adopt a resolution (i) authorizing the issuance of such Bonds, fixing the amount and terms thereof and describing the purpose or purposes for which such Bonds are being issued or describing the Bonds to be refunded, (ii) authorizing the Authority to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds, if applicable, and (iii) authorizing the Authority to enter into an amendment to the Indenture and the Agreement to provide for City Payments at least sufficient to pay, during any Agreement Term, the principal of, premium, if any, and interest on the Bonds then to be Outstanding (including the Additional Bonds to be issued) as the same become due during such Agreement Term, and for such other matters as are appropriate because of the issuance of the Additional Bonds proposed to be issued which, in the judgment of the Authority, are not to the prejudice of the Authority or the Holders of the Bonds previously issued.

Any other provisions of the Indenture to the contrary notwithstanding, (i) drawings under any Credit Enhancement obtained with respect to the Series C 2007 Bonds shall be made only with respect to the Series C 2007 Bonds and not with respect to any other Outstanding Bonds, and (ii) appropriate funds and accounts shall be established in connection with any Additional Bonds.

Creation and Ratification of Funds and Accounts

Under the Indenture, there are created and ratified in the custody of the Trustee (other than the Escrow Fund - 2007 which shall be held in the custody of the Escrow Agent - 2007 pursuant to the Escrow Agreement – 2007), certain special trust funds and accounts, including: (a) the Project Fund; (b) the Cost of Issuance Fund; (c) the Bond Fund; (d) the Credit Enhancement Fee Fund; (e) the Bond Reserve Fund; (f) the Preservation Fund, including a Bond Proceeds Account therein; (g) the Expense Fund; (h) the Rebate Fund; and (i) the Escrow Fund – 2007.

The moneys in the above funds and accounts (other than the Escrow Fund – 2007) shall be held by the Trustee in trust and shall be applied solely in accordance with the provisions of the Agreement and the Indenture. The moneys in the Escrow Fund - 2007 shall be held by the Escrow Agent - 2007 and shall be applied solely in accordance with the provisions of the Escrow Agreement - 2007.

Deposit of Bond Proceeds and Other Moneys

The proceeds received from the sale of the Series C 2007 Bonds (less the bond insurance premium with respect to the Series C 2007 Bonds of $285,874.46 paid directly to the Bond Insurer by the purchaser of the Series C 2007 Bonds), together with other available moneys, shall be deposited simultaneously with the delivery of the Series C 2007 Bonds, as follows: (a) in the Bond Fund any amount received on account of accrued interest on the Series C 2007 Bonds from the proceeds of the Series C 2007 Bonds; (b) in the Cost of Issuance Fund the sum of $2,214,423.78* from the proceeds of the Series C 2007 Bonds; in addition, the bond insurance premium with respect to the Series C 2007 Bonds of $285,874.46 shall be paid directly to the Bond Insurer by the purchaser of the Series C 2007 Bonds; (c) in the Bond Reserve Fund the sum of $-0- from the proceeds of the Series C 2007 Bonds and $5,870,772.00 currently on deposit in the Bond Reserve Fund shall be retained therein; and (d) in the Escrow Fund - 2007 the sum of $50,803,204.38* from the proceeds of the Series C 2007 Bonds and $1,155,000.00 from funds currently on deposit in the Bond Fund.

Application of Moneys in Cost of Issuance Fund

Moneys in the Cost of Issuance Fund shall be used to pay the costs of issuing the Bonds, including fees and expenses to the City set forth in the Refunding Consent Agreement dated as of October 1, 2006 between the Authority and the City, all printing expenses in connection with the Indenture, the Agreement, the preliminary and final official statements and the Bonds, legal fees and expenses of counsel to the Authority, counsel to the City, bond counsel, underwriter's counsel, any accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, fees of the financial advisors, initial fees of the Trustee, the fee of independent certified public accountants or consultants for verification services, and all other costs of issuance deemed necessary or desirable by the Authority, upon the submission of requisition certificates signed by the Authorized Authority Representative in accordance with the provisions of the Agreement. Any funds remaining in the Cost of Issuance Fund on August 1, 2007 shall be transferred to the Bond Fund.

Deposit of City Payments in Project Fund

All City Payments payable by the City to the Authority as specified in the Agreement shall be deposited by the Trustee in the Project Fund; provided, however, that, if such moneys are received after an Event of Non-Appropriation with respect to the City, such moneys shall first be used to reimburse the Authority and the Trustee for all advances made by the Authority and the Trustee and to repay to the Bond Reserve Fund, the Expense Fund and the Preservation Fund any transfers therefrom to the Bond Fund pursuant to the Indenture. Moneys in the Project Fund shall be transferred by the Trustee when received to the funds and accounts as follows:

(A) The Base Rental Payment portion of the City Payments shall be deposited by the Trustee in the Bond Fund. On (i) the Business Day following the date of receipt of the City Payment due on August 1, 2007 and (ii) the first Business Day following each Interest Payment Date and each Principal Payment Date, including the Interest Payment Date on August 15, 2007, the Trustee shall apply the moneys remaining in the Bond Fund as follows:

(1) <u>Bond Fund</u>. On the first Business Day following each Interest Payment Date which is not a Principal Payment Date there shall be retained in the Bond Fund an amount which equals one half of the next installment of principal due on the Bonds on the next ensuing Principal Payment Date, by reason of maturity, mandatory redemption or otherwise and the balance shall be deposited in accordance with paragraphs (2), (3) and (4) below. On

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* Subject to change based on investment of Escrow Fund - 2007. Amounts not required for the defeasance of the Refunded Bonds will be deposited in the Costs of Issuance Fund. The City intends to use approximately $1,178,223.78 of this amount to pay for certain capital improvements to the Cervantes Convention Center.

the Business Day following the date of receipt of the City Payment due on August 1, 2007 there shall be retained in the Bond Fund an amount which equals one half of the next installment of principal due on the Bonds on the next ensuing Principal Payment Date, by reason of maturity, mandatory redemption or otherwise and the balance shall be deposited in accordance with paragraphs (2), (3) and (4) below. On the first Business Day following each Principal Payment Date no funds shall be retained in the Bond Fund and the balance shall be deposited in accordance with paragraphs (2), (3) and (4) below;

(2) Credit Enhancement Fee Fund. There shall be deposited in the Credit Enhancement Fee Fund an amount which, together with the moneys on deposit in the Credit Enhancement Fee Fund, equals the Credit Enhancement Fees due on or prior to the next ensuing Sponsor Payment Date;

(3) Bond Reserve Fund. There shall be deposited in the Bond Reserve Fund an amount which, together with the moneys on deposit in the Bond Reserve Fund, equals the Bond Reserve Requirement; and

(4) Expense Fund. There shall be deposited in the Expense Fund all moneys remaining from the Base Rental Payment portion of the City Payment.

(B) The Preservation Payment portion of the City Payments shall be deposited by the Trustee in the Preservation Fund.

Additional Deposits into the Bond Fund

In addition to the deposits described above, the Trustee shall deposit into the Bond Fund, as and when received, the following: (i) all accrued interest on the Series C 2007 Bonds paid by the purchasers of the Series C 2007 Bonds; (ii) the balance of any Net Proceeds of insurance or condemnation awards received by the Trustee to be transferred to the Bond Fund pursuant to the Agreement; (iii) any other amounts required to be deposited in the Bond Fund pursuant to the Agreement; (iv) interest and other income derived from investments of moneys in the Bond Fund as provided in the Indenture; (v) excess amounts in the Costs of Issuance Fund required to be deposited in the Bond Fund after the payment of the costs of issuance and excess amounts in the Bond Reserve Fund required to be deposited in the Bond Fund after the Completion Date; and (vi) all other moneys received by the Trustee under and pursuant to any of the provisions of the Indenture or of the Agreement when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.

Application of Moneys in the Bond Fund

Except as otherwise provided in the Indenture, moneys in the Bond Fund shall be expended solely for the payment of the principal of, premium, if any, and interest on the Bonds as the same mature and become due or upon the redemption thereof or purchase for cancellation prior to maturity.

The Trustee, upon written direction of the Authorized Authority Representative, shall use any moneys in the Bond Fund (i) to redeem all or part of the Bonds Outstanding, (ii) to pay interest to accrue thereon prior to such redemption, in accordance with and to the extent permitted by the Indenture so long as the City is not in default with respect to any payments under the Agreement and to the extent said moneys are in excess of the amount required for payment of the Bonds theretofore matured or called for redemption and (iii) to pay past due interest in all cases when such Bonds have not been presented for payment. The Authority may cause such excess moneys in the Bond Fund or such part thereof or other moneys of the Authority, as the Authority may direct, to be applied by the Trustee for the purchase of Bonds in the open market for the purpose of cancellation, at prices not exceeding the principal amount thereof plus accrued interest thereon to the date of delivery for cancellation.

After payment in full of the principal of, premium, if any, and interest on the Bonds (or provision has been made for the payment thereof as specified in the Indenture), and the fees, charges and expenses of the Trustee and any Paying Agent and any other amounts required to be paid under the Indenture, the Agreement and the Tax Agreement, all amounts remaining in the Bond Fund shall be transferred to the Preservation Fund.

Application of Moneys in the Credit Enhancement Fee Fund

The moneys in the Credit Enhancement Fee Fund shall be disbursed and expended by the Trustee on written request of the Authorized Authority Representative solely for the payment of the Credit Enhancement Fees due and owing under the Credit Agreement. All amounts remaining in the Credit Enhancement Fee Fund upon expiration or sooner termination of the Credit Enhancement shall be paid first to the Credit Provider to the extent of any amounts owed to it under the Credit Agreement, and then to the Authority.

Bond Reserve Fund

The Authority shall cause the Bond Reserve Fund to be continuously funded in an amount equal to the Bond Reserve Requirement until the date on which all of the Bonds have been fully paid or their payment provided for in accordance with the Indenture. The Bond Reserve Fund may be funded with cash or Investment Securities with a market value at least equal to the Bond Reserve Requirement, or in lieu thereof by depositing with the Trustee Credit Enhancement which may be drawn upon in an amount at least equal to the Bond Reserve Requirement.

A Supplemental Indenture or Supplemental Indentures authorizing the issuance of Additional Bonds shall specify and there shall be deposited into the Bond Reserve Fund an additional amount or amounts from the proceeds of any issue of Additional Bonds or from other available moneys, such additional amount or amounts not to exceed the sum which, when added to the amount then on deposit in the Bond Reserve Fund, shall equal the Bond Reserve Requirement with respect to the Bonds then Outstanding and such Additional Bonds proposed to be issued.

Application of Moneys in the Bond Reserve Fund

Except as provided in the Indenture, the moneys in the Bond Reserve Fund shall be disbursed and expended by the Trustee solely for the payment of the principal of (whether at maturity or mandatory redemption), premium, if any, and interest on the Bonds if sufficient moneys therefor are not available in the Bond Fund or, if the Credit Enhancement is in full force and effect or will be in full force and effect upon such reimbursement or to the extent that the moneys on deposit in the Bond Reserve Fund exceed the Bond Reserve Requirement, to reimburse the Credit Provider for a draw on the Credit Enhancement for such purposes. The Trustee may disburse and expend moneys from the Bond Reserve Fund for such purpose whether or not the amount in the Bond Reserve Fund at that time equals the Bond Reserve Requirement. If any amount is so withdrawn from the Bond Reserve Fund, the Trustee shall direct the Authority to restore to the Bond Reserve Fund the full amount which was withdrawn by paying Additional Payments. Moneys in the Bond Reserve Fund shall be used to pay and retire the last Outstanding Bonds unless such Bonds and all interest thereon be otherwise paid.

Application of Moneys in the Preservation Fund

Moneys in the Preservation Fund shall be used at the option of the Authority (i) to pay the Preservation Costs, (ii) to pay any costs of operating and maintaining the Project, other than Preservation Costs, incurred by the Authority pursuant to the Agreement, (iii) to pay debt service on the Project Bonds or to restore any amount withdrawn from the Bond Reserve Funds pursuant to the provisions of the Agreement, and (iv) to reimburse the Credit Provider under any Project Indenture for any draws on the related Credit Enhancement.

On or prior to each August 1 during any year the Bonds are Outstanding, an Authorized Authority Representative shall direct the Trustee in writing to segregate and set aside within the Preservation Fund moneys sufficient to pay, as and when the same become due, all insurance premiums for insurance policies required by the Agreement which will come due within the next succeeding year. On or the day succeeding the day the Authority delivers the Insurance Certificate required by the Agreement, the Trustee shall adjust the amount so segregated, if necessary, to reflect the actual amount of premiums set forth in such Insurance Certificate. The remaining moneys in the Preservation Fund and the Bond Proceeds Account of the Preservation Fund shall be disbursed by the Trustee for the payment of costs specified in the preceding paragraph upon receipt of appropriate requisition certificates signed by the Authorized Authority Representative. The Authority covenants and agrees that it shall not requisition moneys from the Preservation Fund or the Bond Proceeds Account of the Preservation Fund for the purposes specified in (ii) of the previous paragraph, except upon adoption of a resolution that payment of such costs of operation and maintenance by the Authority is necessary and that there is no other entity or source of funds available to pay such costs. The Authority covenants and agrees that it will not requisition moneys from the Bond Proceeds Account of the Preservation Fund except as permitted by the provisions of the Tax Agreement.

If not otherwise paid, the Authority shall requisition moneys from the Preservation Fund and from the Bond Proceeds Account of the Preservation Fund to pay as and when due all insurance premiums for insurance required by the Agreement.

Application of Moneys in the Expense Fund

Moneys in the Expense Fund shall be used by the Authority to pay Additional Payments as provided in the Agreement. The moneys in the Expense Fund shall be disbursed by the Trustee upon receipt of requisitions signed by the Authorized Authority Representative. In addition, the Trustee is authorized to withdraw moneys from the Expense Fund to pay or reimburse the Trustee the fees, charges and expenses to which it is entitled pursuant to the Indenture.

Deficiency of Payments into Funds or Accounts

If at any time moneys in the Project Fund shall be insufficient to make any transfers to the funds and accounts on the dates and in the amounts specified in the Indenture, the Authority will make good the amount of the deficiency by making Additional Payments or credits out of the first available moneys in the Project Fund, such payments and credits being made and applied in the order specified in the Indenture.

If at any time moneys in the Bond Fund and the Bond Reserve Fund are not sufficient to pay the principal of and interest on the corresponding series of Bonds as and when the same become due, then the amount of such deficiency may be made up at the option of the Authority, by the transfer of funds from the Expense Fund and/or the Preservation Fund. The Authority represents that there is no reasonable expectation that payments of principal or interest on the Bonds will be paid out of funds in the Expense Fund or the Preservation Fund.

Rebate Fund

Moneys in the Rebate Fund shall be applied as provided in the Tax Agreement.

Investment of Moneys in Funds

Moneys held in the funds and accounts shall be separately invested and reinvested by the Trustee, pursuant to direction of the Authority given by the Authorized Authority Representative, in Investment Securities which mature or are subject to redemption by the holder prior to the date when such moneys will be needed; provided, however, that the Authority shall direct investments such that such moneys shall not be invested in such manner or at a yield as will violate the provisions of the Tax Agreement. Any such Investment Securities shall be held by or under the control of the Trustee and shall be deemed at all times to be a part of the fund or account in which such moneys are originally held, and, except as provided in the next sentence, the net investment earnings realized from such Investment Securities which are not required to be deposited in the Rebate Fund pursuant to the Tax Agreement shall be credited to and accumulated in such fund or account, and any loss resulting from such Investment Securities shall be charged to such fund or account. Net investment earnings realized from Investment Securities in the Bond Reserve Fund which are not required to be deposited in the Rebate Fund pursuant to the Tax Agreement shall be transferred to the Bond Fund to be applied as provided in the Indenture; provided, however, that if the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Requirement, such net investment earnings shall be retained in the Bond Reserve Fund until the amount therein equals the Bond Reserve Requirement. If on any valuation date under the Indenture the amount on deposit in the Bond Reserve Fund exceeds the Bond Reserve Requirement, the Trustee shall transfer such excess to, and deposit it in the Bond Fund to be applied as provided in the Indenture. The Trustee shall sell and reduce to cash a sufficient amount of such Investment Securities whenever the cash balance in any fund or account is insufficient for the purposes of such fund or account. In determining the balance in any fund or account, investments in such fund or account shall be valued at their fair market value as of the last Business Day of the month preceding the most recent Principal Payment Date. The Trustee may make any and all such permitted investments through its own bond department or any affiliate or short-term investment department.

Payment of Principal, Redemption Premium, if any, and Interest

The Authority covenants and agrees that it will, but solely from the City Payments, and any other rents, revenues and receipts derived under the Agreement and directed by the terms of the Agreement to be deposited in the Bond Fund, promptly pay or cause to be paid the principal of, premium, if any, and interest on the Bonds as the same become due and payable at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof, and to this end the Authority covenants and agrees that it will use its best efforts to cause the Project to be continuously and sufficiently leased as a revenue and income producing undertaking, and that, should there be a default under the Agreement, the Authority shall fully cooperate with the Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders and shall diligently proceed in good faith and use its best efforts to the end that at all times sufficient rents, revenues and receipts will be derived from the Project promptly to meet and pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable. Nothing in the Indenture shall be construed as requiring the Authority to operate the Project as a business other than as lessor or to use any funds or revenues from any source other than funds and revenues derived from the Project.

Performance of Covenants

The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in the Bonds and in all proceedings of its Commissioners pertaining thereto.

Events of Default

If any of the following events occur, it shall be defined as and declared to be and to constitute an Event of Default under the Indenture; (a) default by the Authority in the due and punctual payment of any interest on any Bond; (b) default by the Authority in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity or accelerated maturity thereof, or at the redemption date thereof; (c) default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority in the Indenture, the Agreement or in the Bonds contained, and the continuance thereof for a period of 60 days after written notice thereof shall have been given to the Authority and the City by the Trustee, or to the Trustee, the Authority and the City by the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the City within such period and diligently pursued until the default is corrected; (d) the filing by the City of a voluntary petition in bankruptcy, or failure by the City to promptly 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 a 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 instituted under the provisions of the Federal bankruptcy law, or under any similar acts which may hereafter be enacted; or (e) default by the City as specified in paragraph (a) under the caption **"THE FINANCING AGREEMENT – Events of Default"** in this ***Appendix D***.

With regard to any alleged default specified in (c) above concerning which notice is given to the City or the Bond Insurer under the provisions above, the Authority grants the City and the Bond Insurer full authority for the account of the Authority to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Authority, with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts in order to remedy such default.

Acceleration of Maturity in Event of Default

If an Event of Default described in paragraph (a) or (b) under the caption "Events of Default" above shall have occurred and be continuing, the Trustee shall, with the prior written consent of the Bond Insurer and, if any other Event of Default shall have occurred and be continuing, the Trustee may, with the prior written consent of the Bond Insurer, and upon the written request of the Bond Insurer or the holders of not less than 25% in aggregate principal amount of Bonds then Outstanding with the prior written consent of the Bond Insurer shall, by notice in writing delivered to the Authority and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable.

If, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal of and interest on the Bonds, together with the reasonable expenses of the Trustee, and all other sums then payable by the Authority under the Indenture shall either be paid or provision satisfactory to the Trustee shall be made for such payment, then and in every such case the Trustee shall, but only with the approval of the Bond Insurer and the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding, rescind such declaration and annul such default in its entirety.

In case of any rescission, then and in every such case the Authority, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former position and rights under the Indenture, respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Termination of Use of the Project in Event of Default

If an Event of Default described in paragraph (a), (b) or (e) under the caption "Events of Default" above shall have occurred and be continuing, the Trustee shall, upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding, direct the Authority to terminate use of the Project for Conventions and professional football purposes pursuant to the Agreement.

If, at any time after such direction, but before the Bonds shall have matured by their terms, all overdue installments of principal of and interest on the Bonds, together with the reasonable expenses of the Trustee, and all other sums then payable by the Authority under the Indenture and all other sums then payable by the City under the Agreement shall either be paid or provision satisfactory to the Trustee shall be made for such payment, then and in every such case the Trustee shall, but only with the approval of the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding, rescind such direction and annul such default in its entirety.

In case of any rescission, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former position and rights under the Indenture, respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

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 and remedies of the Trustee and of the Bondholders under the Indenture, the Trustee shall be entitled to the appointment of a receiver or receivers of the Trust Estate, or any part thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Exercise of Remedies by the Trustee

If an Event of Default shall have occurred and be continuing, the Trustee may, with the prior written consent of the Bond Insurer, and if requested to do so by the Bond Insurer or the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding with the prior written consent of the Bond Insurer, and indemnified as provided in the Indenture the Trustee shall, pursue and exercise any available remedy at law or in equity by suit, action, mandamus or other proceeding or exercise such one or more of the rights and remedies conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders, to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding, and to enforce and compel the performance of the duties and obligations of the Authority as set forth in the Indenture.

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 necessity of joining as plaintiffs or defendants any Holders of the Bonds and any recovery of judgment shall, subject to the provisions of the Indenture, be for the equal benefit of all of the Holders 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 or for the appointment of a receiver or any other remedy under the Indenture, except with the prior written consent of the Bond Insurer and unless (i) a default has occurred of which the Trustee has been notified or is deemed to have notice as provided in the Indenture, (ii) such default shall have become an Event of Default, (iii) the Bond Insurer or the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name, and shall have offered to the Trustee indemnity as provided in the Indenture, and (iv) the Trustee shall thereafter fail or refuse to exercise the powers and remedies granted or to institute such action, suit or proceeding in its own name; 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 Holders 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 interest on any Bond at and after the maturity thereof or the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Bonds issued under the Indenture to the respective

Holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Bonds.

Right of Bond Insurer and Bondholders to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, the Bond Insurer or the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, with the prior written consent of the Bond Insurer, 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 terms and conditions 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 (to the extent not inconsistent with this section) of the Indenture.

Application of Moneys in Event of Default

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances including attorneys' fees and expenses, incurred or made by the Trustee, be deposited in the Bond Fund; provided, however, that all moneys received by the Trustee with respect to any Credit Enhancement shall be applied solely to the payment of the Bonds for which such Credit Enhancement was issued or as otherwise permitted by the Credit Agreement with respect to such Credit Enhancement. All moneys so deposited in the Bond Fund shall be applied as follows:

(1) Unless the principal of all the Bonds shall have become 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 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 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 provisions of the Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment, ratably according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(2) 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 to the payment of the principal and interest then due and unpaid on all of the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or privilege.

(3) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions described above under the caption "Acceleration of Maturity in Event of Default" above, then, subject to the provisions of paragraph (2) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (1) above.

Whenever moneys are to be applied as described above, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date 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 unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Remedies Cumulative

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee, to the Bond Insurer or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, to the Bond Insurer or to the Bondholders under the Indenture or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default, whether by the Trustee, by the Bond Insurer or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Waivers of Events of Default

Subject to the provisions described above under the caption "Acceleration of Maturity in Event of Default" above, the Trustee may in its discretion, but with the prior written consent of the Bond Insurer, waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on Bonds, and shall do so upon the written request of the Bond Insurer or the Holders of at least a majority in aggregate principal amount of all Bonds then Outstanding with the prior written consent of the Bond Insurer. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee under the Indenture on account of any such default shall have been discontinued or abandoned for any reasons, or shall have been determined adversely, then and in every such case the Authority, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former positions, rights and obligations under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been undertaken.

Rights and Consents of the Bond Insurer

The Bond Insurer shall be entitled to its rights under the Indenture, including its rights of consent, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy. Notwithstanding anything in the Indenture to the contrary, the rights of any Bond Insurer shall be applicable only with respect to the Bonds insured by it and shall terminate when such Bonds are no longer Outstanding.

Supplemental Indentures Not Requiring Consent of Bondholders

The Authority and the Trustee may from time to time, without the consent of or notice to any of the Bondholders, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in the Indenture or make any other change not prejudicial to the Bond Insurer or the Bondholders; (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them; (c) to subject to the Indenture additional revenues, properties or collateral; (d) to issue Additional Bonds as provided in the Indenture, with the prior written consent of the Bond Insurer to the extent required thereby; or (e) to, with the prior written consent of the Bond Insurer, secure or maintain a rating from the Rating Service, provided such changes will not restrict, limit or reduce the obligation of the Authority to pay the principal of, premium, if any, or interest on the Bonds or otherwise materially adversely affect the Owners of the Bonds or the rights of the Trustee under the Indenture.

Supplemental Indentures Requiring Consent of Bond Insurer or Bondholders

In addition to Supplemental Indentures described above, the Bond Insurer or the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, with the prior written consent of the Bond Insurer, shall have the right, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing under this caption contained shall permit or be construed as permitting (1) an extension of the maturity of the principal of or the interest on any Bond, or (2) a reduction in the principal amount of any Bond or the rate of interest thereon, or (3) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except with respect to Credit Enhancement securing a series of such Bonds, or (4) a reduction in the aggregate principal amount of Bonds, the consent of the Holders of which is required for the execution of any such Supplemental Indentures, or (5) changing the mandatory sinking fund redemption provisions of the Indenture.

If at any time the Authority shall request the Trustee to enter into any such Supplemental Indenture, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to the Bond Insurer and each Bondholder as shown on the bond registration books required to be maintained by the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office (or other designated office) of the Trustee for inspection by all Bondholders. If within 60 days or such longer period as may be prescribed by the Authority following the mailing of such notice, the Bond Insurer or the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture, with the prior written consent of the Bond Insurer, shall have consented to and approved the execution thereof, neither the Bond Insurer nor the Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Opinion of Bond Counsel

The Authority and the Trustee may not enter into a Supplemental Indenture unless they shall have received an opinion of Bond Counsel to the effect that the execution and delivery of the proposed Supplemental Indenture complies with and is authorized by the Indenture, will not violate the Act and will not adversely affect the excludability of the interest on the Project Bonds from gross income for purposes of federal income taxation or the exemption of the interest on the Project Bonds from State income taxation.

Amendments to the Agreement Not Requiring Consent of Bondholders

The Authority and the Trustee shall, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Agreement as may be required (i) by the provisions of the Agreement or the Project Indentures, (ii) for the purpose of curing any ambiguity or formal defect or omission in the Agreement or in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee, the Bond Insurer or the Holders of the Project Bonds, (iii) in connection with the issuance of Additional Bonds under the Indenture, with the prior written consent of the Bond Insurer or under the State Indenture or the County Indenture, or (iv) to, with the prior written consent of the Bond Insurer, secure or maintain a rating from the Rating Service, provided such changes will not restrict, limit or reduce the obligation of the Authority to pay the principal of, premium, if any, or interest on the Project Bonds or otherwise materially adversely affect the Owners of the Project Bonds or the rights of the Trustee under the Project Indentures.

Amendments to the Agreement Requiring Consent of Bond Insurer or Bondholders

Except for the amendments, changes or modifications described in the previous paragraph, neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Agreement without the giving of notice and the obtaining of the written approval or consent of the Bond Insurer or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, with the prior written consent of the Bond Insurer, given and obtained as provided in the Indenture. If at any time the Authority and the Sponsors shall request the consent of the Trustee to any such proposed amendment, change or modification of the Agreement, the Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner as provided above with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the same are on file at the principal office of the Trustee for inspection by all Bondholders.

Opinion of Bond Counsel

The Authority may not enter into and the Trustee may not consent to any amendment, change or modification of the Agreement unless they shall have received an opinion of Bond Counsel to the effect that the execution and delivery of the proposed amendment, change or modification of the Agreement complies with and is authorized by the Project Indentures and the Agreement, will not violate the Act and will not adversely affect the excludability of the interest on the Project Bonds from gross income for purposes of federal income taxation or the exemption of the interest on the Project Bonds from State income taxation.

Satisfaction and Discharge of the Indenture

When the principal of, premium, if any, and interest on all the Bonds shall have been paid in accordance with their terms or provision has been made for such payment, as described under the caption "Bonds Deemed to be Paid" below, and provision shall also be made for paying all other sums payable under the Indenture, including the fees and expenses of the Trustee and the Paying Agent to the date of retirement of the Bonds, and all sums payable according to the provisions of the Tax Agreement, then the right, title and interest of the Trustee under the Indenture shall thereupon cease, determine and be void, and thereupon the Trustee shall cancel, discharge and release the Indenture and shall execute, acknowledge and deliver to the Authority such instruments of satisfaction and discharge or release as the Authority shall request to evidence such release and the satisfaction and discharge of the Indenture.

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

Bonds Deemed to be Paid

Bonds shall be deemed to be paid within the meaning of the Indenture when payment of the principal of and the applicable redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms of the Indenture (provided that amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid pursuant to the Indenture and shall continue to be due and owing thereunder until paid by the Authority in accordance with the Indenture), or (ii) provision therefor shall have been made by depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Government Obligations maturing as to principal and interest in such amount and at such times as will ensure the availability of sufficient moneys to make such payment; provided, however, that there shall be filed with the Trustee a verification report of a nationally recognized independent certified accounting firm that the moneys or Government Obligations escrowed with the Trustee are sufficient to ensure the availability of sufficient moneys to make such payments when due and an opinion of Bond Counsel to the effect that so providing for the payment of any Bonds will not cause the interest on Tax Exempt Series B Bonds to be includable in gross income for purposes of federal income taxation if the date of final payment of such Bonds is more than 90 days after such deposit. At such time as a Bond shall be deemed to be paid under the Indenture, such Bond shall no longer be secured by or be entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations; provided, however, that nothing in the Indenture shall be construed to imply that any obligation imposed under the Tax Agreement will terminate on the payment in full, or provision for payment thereof, of the Bonds.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under clause (ii) of the previous 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 the Indenture or irrevocable instructions shall have been given to the Trustee to give such notice.

Notwithstanding any provision of the Indenture which may be contrary to the provisions of this Section, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of the Indenture for the payment of Bonds (including premium thereon, if any) and interest thereon shall be applied to and be used solely for the payment of the particular Bonds (including premium thereon, if any) and interest thereon with respect to which such moneys and Government Obligations have been so set aside in trust.

Provisions Relating to the Bond Insurer

Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer thereunder without the prior written consent of the Bond Insurer.

Unless otherwise provided in the Indenture, the Bond Insurer's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental Indenture or any amendment, supplement or change to or modification of the Agreement; (ii) removal of the Trustee and selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

Any reorganization or liquidation plan with respect to the Authority or the City must be acceptable to the Bond Insurer, to the extent permitted by law, such acceptance not to be unreasonably withheld. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all bondholders who hold the Series C 2007 Bonds absent a default by the Bond Insurer under the Bond Insurance Policy.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined therein, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Indenture, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default.

The Bond Insurer shall be entitled to its rights under the Indenture, including its rights of consent, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy.

THE FINANCING AGREEMENT

The following is a summary of certain provisions contained in the Financing Agreement. Such summary does not purport to be a complete statement of the terms of the Financing Agreement and accordingly is qualified in its entirety by reference thereto and is subject to the full text thereof.

Agreement to Issue Project Bonds; Use of Proceeds

The Authority agrees to issue the Project Bonds as provided in the Project Indentures to provide funds for the payment of the cost of the Project. The Authority may authorize the issuance of Additional Bonds from time to time as provided in the Project Indentures. The proceeds of the sale of the Project Bonds shall be deposited with the Trustee and applied as provided in the Project Indentures and in the Agreement to finance the costs of the Project and to pay the expenses of issuance of the Project Bonds as provided therein.

Tax-Exemption on Project Bonds

The Authority covenants and agrees that it will not make or cause or permit to be made any use of the proceeds of the Project Bonds in any way so as to cause the interest on the Project Bonds to become includable in gross income for purposes of federal income taxation.

Subleasing of Project to Authority

The Sponsors rents, subleases and relets the Project to the Authority, and the Authority rents, subleases and rehires the Project from the Sponsors for the rentals and upon and subject to the terms and conditions contained in the Agreement. The Authority covenants and agrees to plan, construct, operate and maintain the Project. The Authority further covenants and agrees to use its best efforts to obtain the maximum use and occupancy of the Project for convention, entertainment and meeting activities and for all types of sports and recreation, both amateur and professional, including professional football, provided that the Project shall not be used in any fashion for the purpose of horse racing or dog racing or otherwise in violation of the Act and subject to the provisions described below under the caption "Covenants Regarding Termination of Agreement Term."

Term of Agreement

The Agreement shall be effective concurrently with the initial delivery of the Project Bonds and shall continue in force and effect until terminated (as described below under the caption "Termination of Agreement Term").

Bond Payments

The Authority will duly and punctually pay the principal of, premium, if any, and interest on the Project Bonds at the dates and the places and in the manner mentioned in the Project Bonds and in the respective Project Indentures, but solely out of the sources of funds specified in the Agreement and in the respective Project Indentures.

Additional Payments

The Authority shall pay, but only out of moneys in the Expense Fund, the following items to the following persons as additional payments under the Agreement: (a) to the Trustee, all rebate payments required under Section 148(f) of the Code, to the extent such amounts are not available to the Trustee in the respective Rebate Funds or other funds and accounts held under the respective Project Indentures; and (b) to the Trustee when due, all reasonable fees of the Trustee for services rendered under the Project Indentures and all reasonable fees and reasonable charges of any paying agent, registrar, counsel, accountants, engineers and other persons incurred in performance of services on request of the Trustee and such other persons under the Project Indentures for which the Trustee and other persons are entitled to payment or reimbursement; and (c) all ongoing annual fees and charges and all reasonable expenses incurred by the Authority in relation to the transactions contemplated by the Agreement and the Project Indentures, including all fees and charges of the Authority as provided for under the Act and the operating expenses of the Authority, including the Authority's costs of performing its obligations under the Agreement and under the Project Indentures; and (d) an amount which at any time, when added to the balance remaining at any time in each of the Bond Reserve Funds, is necessary and sufficient to maintain each of the Bond Reserve Funds at the applicable Bond Reserve Requirement, such moneys to be deposited in the respective Bond Reserve Funds at the Authority's direction. All deposits to the Bond Reserve Funds shall be used and applied by the Trustee in the manner and for the purposes set forth in the applicable Project Indenture.

Sponsors' Covenants to Request Appropriations

State Covenant. The Office of Administration covenants and agrees that it is the department of the State charged with responsibility of formulating budget proposals, and that it will include in the budget proposals submitted to the Missouri General Assembly, in any year during the term of the Agreement, a request or requests for the State Financing Amount. Requests for appropriations shall be made in each Fiscal Year thereafter so that the State Financing Amount to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the State that the decision to appropriate the State Financing Amount to provide financing for the Project pursuant to the Agreement shall be made solely by the Missouri General Assembly and not by any other official of the State except pursuant to the exercise of the power of the Governor of the State to approve or disapprove such appropriation. The State presently expects, in each Fiscal Year of the State during the Agreement Term, to appropriate funds for the State Financing Amount so that the State Financing Amount to be paid during the succeeding Fiscal Year will be available for such purposes. The State shall furnish the Trustee and the Authority with copies of its annual budget and a certificate stating whether it has appropriated the State Financing Amount for such Fiscal Year promptly after the budget is adopted and in no event later than July 15 of each year.

City Covenant. 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 Agreement Term, a request or requests for the City Financing Amount. A request has been submitted and appropriated under applicable law for the Fiscal Year of the City commencing July 1, 2006, and subsequent requests for appropriations shall be made in each Fiscal Year thereafter so that the City Financing Amount 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 City Financing Amount to provide financing for the Project pursuant to the Agreement shall be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects to, in each Fiscal Year of the City during the Agreement Term, appropriate funds for the City Financing Amount so that the City Financing Amount to be paid during the succeeding Fiscal Year will be available for such purposes. The City shall furnish the Trustee and the Authority with copies of its annual budget and a certificate stating whether it has appropriated the City Financing Amount for such Fiscal Year promptly after the budget is adopted and in no event later than July 15 of each year.

County Covenant. The County covenants and agrees that the County Executive, 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 County Council, in any year during the Agreement Term, a request or requests for the County Financing Amount. Requests for appropriations shall be made in each Fiscal Year thereafter so that the County Financing Amount to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the County that the decision to appropriate the County Financing Amount to provide financing for the Project pursuant to the Agreement shall be made solely by the County Council and not by any other official of the County except subject to the power of the County Executive of the County to approve or disapprove ordinances. The County presently expects to, in each Fiscal Year of the County during the Agreement Term, appropriate funds for the County Financing Amount so that the County Financing Amount to be paid during the succeeding Fiscal Year will be available for such purposes. The County shall furnish the Trustee and the Authority with copies of its annual budget and a certificate stating whether it has appropriated the County Financing Amount for such Fiscal Year promptly after the budget is adopted and in no event later than January 15 of each year.

Sponsor Payments

State. The State covenants and agrees to make the State Payments to the Trustee at its principal corporate trust office for the account of the Authority during the Agreement Term on or before 11:00 A.M., Trustee's local time, in the appropriate amount and on the Sponsor Payment Dates. All State Payments shall be deposited by the Trustee in accordance with the provisions of the State Indenture and shall be used and applied by the Trustee in the manner and for the purposes set forth in the State Indenture.

City. The City covenants and agrees to make the City Payments to the Trustee at its principal corporate trust office for the account of the Authority during the Agreement Term on or before 11:00 A.M., Trustee's local time, in the appropriate amount and on the Sponsor Payment Dates. All City Payments shall be deposited by the Trustee in accordance with the provisions of the Indenture and shall be used and applied by the Trustee in the manner and for the purposes set forth in the Indenture.

County. The County covenants and agrees to make the County Payments to the Trustee at its principal corporate trust office for the account of the Authority during the Agreement Term on or before 11:00 A.M., Trustee's local time, in the appropriate amount and on the appropriate Sponsor Payment Dates. All County Payments shall be deposited by the Trustee in accordance with the provisions of the County Indenture and shall be used and applied by the Trustee in the manner and for the purposes set forth in the County Indenture.

Limited Obligations

The obligations of the State, the City and the County under the Agreement are subject to annual appropriation. Neither the obligations of the State, the City or the County with respect to such payments nor the Project Bonds will constitute a debt or liability of the State, the City, or the County or of any agency or political subdivision of any of them within the meaning of any State of Missouri constitutional provision or statutory limitation and shall not, directly, indirectly or contingently, obligate the Office of Administration, the State, the City, or the County or any agency or political subdivision of any of them to levy any form of taxation therefor or to make any payments beyond those appropriated with respect to the Agreement for each respective Sponsor's then current Fiscal Year.

Assignment of Authority's Rights

Under the State Indenture, the Authority will, as additional security for the Project Bonds issued thereunder, assign, transfer, pledge and grant a security interest to the Trustee in the State Obligations. The Trustee is given the right to enforce either jointly with the Authority or separately, the performance of the State Obligations and the State consents to the same and agrees that the Trustee may enforce such rights as provided in the State Indenture and the State will cause payments required under the Agreement to be made directly to the Trustee. The Agreement recognizes that the Trustee is a third party creditor-beneficiary with respect to the State Obligations.

Under the County Indenture, the Authority will, as additional security for the Project Bonds issued thereunder, assign, transfer, pledge and grant a security interest to the Trustee in the County Obligations. The Trustee is given the right to enforce either jointly with the Authority or separately, the performance of the County Obligations and the County consents to the same and agrees that the Trustee may enforce such rights as provided in the County Indenture and the County will cause payments required under the Agreement to be made directly to the Trustee. The Agreement recognizes that the Trustee is a third party creditor-beneficiary with respect to the County Obligations.

Under the Indenture, the Authority will, as additional security for the Bonds, assign, transfer, pledge and grant a security interest to the Trustee in the City Obligations. The Trustee is given the right to enforce either jointly with the Authority or separately, the performance of the City Obligations and the City consents to the same and agrees that the Trustee may enforce such rights as provided in the Indenture and the City will cause payments required under the Agreement to be made directly to the Trustee. The Agreement recognizes that the Trustee is a third party creditor-beneficiary with respect to the City Obligations.

Event of Non-Appropriation

If any one or more of the following events shall occur and be continuing with respect to a Sponsor, it is defined as and declared to be and to constitute an Event of Non-Appropriation under the Agreement with respect to such Sponsor: (a) failure of the Missouri General Assembly to budget and appropriate, specifically with respect to the Agreement, on or before the last day of its Fiscal Year, the State Financing Amount for the next succeeding Fiscal Year; or (b) failure of the Board of Aldermen of the City to budget and appropriate, specifically with respect to the Agreement, on or before the last day of its Fiscal Year, the City Financing Amount for the next succeeding Fiscal Year; or (c) failure of the County Council of the County to budget and appropriate, specifically with respect to the Agreement, on or before the last day of its Fiscal Year, the County Financing Amount for the next succeeding Fiscal Year.

Upon receipt of a certificate as described above under the caption "Sponsors' Covenants to Request Appropriations" from a Sponsor which states that such Sponsor has not appropriated the funds required to be appropriated by such Sponsor, or upon receipt of other notice of the occurrence of any Event of Non-Appropriation with respect to a Sponsor, the Trustee shall immediately notify the Authority and the Sponsors of the occurrence of an Event of Non-Appropriation with respect to any Sponsor.

Upon receipt of notice of the occurrence of an Event of Non-Appropriation or an Event of Default described below under paragraph (a) under the caption "Events of Default" below with respect to a Sponsor, the Authority shall notify the Commissioners of the Authority appointed by such Sponsor that, pursuant to the Act such commissioners are disqualified from voting on any matter, action or resolution to come before the Authority, and from participating in any of the business of the Authority, so long as such Event of Non-Appropriation or Event of Default continues with respect to such Sponsor.

Non-Compete Covenant

Each Sponsor covenants and agrees that, to the extent permitted by law, if an Event of Default described below in paragraph (a) under the caption "Events of Default" occurs with respect to such Sponsor, such Sponsor will not, until August 15, 2024, construct, own or operate within the geographical boundaries of the City or the County any (a) enclosed sports stadium with more than 40,000 seats or (b) any convention center facility exceeding 150,000 square feet (other than the existing Cervantes Convention Center, including the southern expansion thereof, Kiel Auditorium and any successor facility operating at the same location, and any public sports facilities which do not charge admission to spectators) which it now or may hereafter own or lease or for which it may have operating responsibility. Notwithstanding any provision in the Agreement to the contrary, the provisions of this paragraph shall survive the termination of the Agreement and shall remain in effect and be binding upon the Sponsors.

Termination of Agreement Term

The Agreement Term shall terminate as to each Sponsor upon the earliest of the occurrence of any of the following events with respect to such Sponsor: (i) the last day of the Fiscal Year of a Sponsor during which there occurs an Event of Non-Appropriation as described above with respect to such Sponsor; (ii) an Event of Default with respect to such Sponsor and termination of the Agreement Term under the Agreement; or (iii) August 1, 2021, which date constitutes the last day of the Agreement Term, or such later date as all State Payments, City Payments or County Payments, as the case may be, required under the Agreement shall be paid by the respective Sponsor.

The Agreement Term shall again commence notwithstanding termination pursuant to clause (i) above for a Sponsor if such Sponsor appropriates all amounts required at the time to be appropriated under the Agreement and pays all Sponsor Payments of such Sponsor required at the time to have been paid, in each instance without regard to any termination of the Agreement Term with respect to such Sponsor, plus any additional amount required sufficient to reimburse the Authority and the Trustee for all amounts advanced or incurred by the Authority and the Trustee due to such Sponsor's Event of Non-Appropriation and to cause the amounts on deposit in each of the funds and accounts created pursuant to the applicable Project Indenture to at least equal the amounts which would have otherwise been on deposit therein at the time of such payment if such Event of Non-Appropriation had not occurred, exclusive of lost investment earnings.

The Agreement Term shall terminate as to the Authority on the date on which all Project Bonds are paid or deemed to be paid as provided in the Project Indentures.

Covenants Regarding Termination of Agreement Term

Termination of the Agreement Term with respect to a Sponsor shall terminate all rights and obligations of such Sponsor under the Agreement. The Sponsors and the Authority covenant and agree that termination of the Agreement Term with respect to one Sponsor shall not terminate the Agreement Term with respect to the other Sponsors and that the rights and obligations of such other Sponsors and the Authority pursuant to the Agreement shall continue.

Obligations of Sponsors Absolute and Unconditional

The obligations of each of the Sponsors under the Agreement to make Sponsor Payments during the Agreement Term on or before the date the same become due, and to perform all of their respective other obligations, covenants and agreements under the Agreement shall, subject to the provisions of the following paragraph, be absolute and unconditional, without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment or defense whatsoever, whether now existing or hereafter arising, and irrespective of whether the Project shall have been started or completed, or whether the Authority's title thereto or to any part thereof is defective or nonexistent, or whether any other Sponsor or the Authority is in default or has failed to perform any obligations under the Agreement, and notwithstanding any damage to, loss, theft or destruction of the Project or any part thereof, any failure of consideration, the taking by eminent domain of title to or of the right of temporary use of all or any part of the Project, legal curtailment of such Sponsor's or any other Sponsor's use thereof, the eviction or constructive eviction of such Sponsor or any other Sponsor, any change in the tax or other laws of the United States of America, the State of Missouri or any political subdivision thereof, any change in the Authority's legal organization or status, or any default of the Authority or any Sponsor under the Agreement, and regardless of the invalidity of any action of the Authority or any Sponsor, and regardless of the invalidity of any portion of the Agreement.

Notwithstanding any provision or covenant contained in the Agreement, the Project Indentures or the Project Bonds, no Sponsor is obligated to appropriate moneys or to pay Sponsor Payments beyond the end of the Fiscal Year in effect at a given time with respect to such Sponsor. No Sponsor shall be under any obligation to levy any taxes in order to raise revenues to pay such Sponsor Payments, except to the extent required during any Fiscal Year for which such Sponsor has appropriated such Sponsor's Sponsor Payments. In no event shall any Sponsor be obligated to levy any tax in excess of the maximum levy permitted by law.

Nothing in the Agreement shall be construed to release the Authority from the performance of any agreement on its part therein contained or as a waiver by any Sponsor of any rights or claims which such Sponsor may have against the Authority under the Agreement or otherwise, but any recovery upon such rights and claims shall be had from the Authority separately, it being the intent of the Agreement that each of the Sponsors shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under the Agreement for the benefit of the Holders of the respective series of Project Bonds, but only during a given Agreement Term. Any Sponsor may, however, at its own cost and expense and in its own name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which such Sponsor deems reasonably necessary in order to secure or protect its right of possession, occupancy and use under the Agreement, and in such event the Authority agrees to cooperate fully with such Sponsor and to take all action necessary to effect the substitution of such Sponsor for the Authority in any such action or proceeding if such Sponsor shall so request.

Maintenance, Repairs and Utilities

The Authority shall throughout the Agreement Term and at its own expense (i) keep and maintain the Project and all parts thereof in good repair and operating condition, making from time to time all necessary repairs thereto and renewals and replacements thereof, and (ii) keep the Project and all parts thereof in safe condition and free from filth, nuisance or conditions unreasonably increasing the danger of fire. The Authority shall contract in its own name and pay for all utilities and utility services used by the Authority in, on or about the Project, and the Authority shall, at its sole cost and expense, procure any and all permits, licenses or authorizations necessary in connection therewith.

Taxes, Assessments and Other Governmental Charges

The Authority shall promptly pay and discharge, as the same become due, all taxes and assessments, general and special, and other governmental charges of any kind whatsoever that may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Project, or any part thereof or interest therein (including the leasehold estate of the Sponsors therein) or any buildings, improvements, machinery and equipment at any time installed thereon by the Sponsors, or the income therefrom or Sponsor Payments and other amounts payable under the Agreement, which if not paid when due would encumber the Authority's title to the Project.

Insurance

The Authority shall at its sole cost and expense maintain or cause to be maintained throughout the Agreement Term, general accident and public liability insurance under which the Authority, the Sponsors and the Trustee shall be named as insureds, properly protecting and indemnifying the Authority, the Sponsors and the Trustee, in an amount not less than $1,000,000 for bodily injury (including death) and for property damage in any one occurrence or such greater amount as shall not be subject to sovereign immunity of the Authority, but in no event greater than $10,000,000 (subject to reasonable loss deductible clauses not to exceed $50,000).

The Authority shall cause to be segregated and set aside, on each August 1 while the Project Bonds are Outstanding, from the Bond Proceeds Account of the Preservation Fund or from Preservation Payments as and when received if there is not a sufficient amount in the Bond Proceeds Account of the Preservation Fund, a sum equal (taking into account moneys previously segregated and set aside and not so used for such purpose) to (i) the amount of insurance premiums shown in the prior year's Insurance Certificate (as described in the Agreement) plus (ii) an amount equal to 5% of such insurance premiums, which, if not otherwise paid as and when due, shall be used to pay all insurance premiums required under the Agreement in order to keep in full force and effect all insurance policies described in the Insurance Certificate. The amount to be segregated pursuant to the Agreement may be adjusted as provided in the Agreement to reflect the actual amount of insurance premiums set forth in such Insurance Certificate.

Damage and Destruction

If during the Agreement Term, the Project is damaged or destroyed, in whole or in part, by fire or other casualty, to such extent that the claim for loss (including any deductible amount pertaining thereto) resulting from such damage or destruction is greater than $250,000, the Authority shall promptly notify the Trustee in writing as to the nature and extent of such damage or loss and whether it is practicable and desirable to rebuild, repair, restore or replace such damage or loss.

If the Authority shall determine that such rebuilding, repairing, restoring or replacing is practicable and desirable, and the Authority shall proceed promptly with and complete with reasonable dispatch such rebuilding, repairing, restoring or replacing of the property damaged or destroyed so as to place the Project in substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Authority and as will not impair operating unity or productive capacity of the Project or the character of the Project as suitable for the purposes of the Authority pursuant to the Act. In such case, any Net Proceeds of casualty insurance required by the Agreement and received with respect to any such damage or loss to the Project, if such Net Proceeds exceeds $250,000, shall be paid to the Trustee and shall be deposited into a separate account to be established in the Construction Fund and if such Net Proceeds do not exceed $250,000, such Net Proceeds shall be paid to the Authority. Such Net Proceeds shall be used and applied (i) in accordance with the disbursement requirements of the Agreement if required to be deposited in the Construction Fund, and (ii) for the purpose of paying the cost of such rebuilding, repairing, restoring or replacing such damage or loss. Any Net Proceeds remaining after completion of such rebuilding, repairing, restoring or replacing shall be deposited into the Bond Funds pursuant to the Project Indentures as provided in the Agreement. If such Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the Authority may elect to rebuild, repair, restore or replace the Project only if the Authority shall have provided sufficient funds to complete such work in excess of the amount of such Net Proceeds.

If the Authority shall determine that rebuilding, repairing, restoring or replacing the Project is not practicable and desirable, or there are insufficient funds for said purpose, any Net Proceeds of casualty insurance required by the Agreement and received with respect to any such damage or loss to the Project shall be paid into the Bond Funds pursuant to the Project Indentures as provided in the Agreement and shall be used to redeem Project Bonds on the earliest possible redemption date or to pay the principal of any Project Bonds as the same become due. The Authority agrees to be reasonable in exercising its judgment pursuant to this paragraph.

The Sponsors shall not, by reason of the inability of the Sponsors or the Authority to use all or any part of the Project during any period in which the Project is damaged or destroyed, or is being repaired, rebuilt, restored or replaced, or by reason of the payment of the costs of such rebuilding, repairing, restoring or replacing, be entitled to any reimbursement from the Authority, the Trustee or the Holders of the Project Bonds or any abatement or diminution of the Sponsor Payments payable by the Sponsors under the Agreement or of any other obligations of the Sponsors or the Authority under the Agreement except as expressly provided in the Agreement.

Condemnation or Insured Deficiency of Title

If during the Agreement Term, (i) title to, or the temporary use of, all or any part of the Project shall be condemned by or be sold under threat of condemnation to any authority possessing the power of eminent domain, or (ii) title to all or any part of the Project shall be found to be deficient or nonexistent, to such extent that the claim or loss resulting from such condemnation or loss of title is greater than $250,000, the Authority shall, within 90 days after the date of entry of a final order in any eminent domain proceedings granting condemnation, or the date of sale under threat of condemnation, or proceedings determining such loss of title notify the Trustee in writing as to the nature and extent of such condemnation or loss of title and whether it is practicable and desirable to acquire or construct substitute improvements.

If the Authority shall determine that such substitution is practicable and desirable, the Authority shall proceed promptly with and complete with reasonable dispatch the acquisition or construction of such substitute improvements, so as to place the Project in substantially the same condition as existed prior to the exercise of the said power of eminent domain or loss of title, including the acquisition or construction of other improvements which will be deemed a part of the Project and available for use and occupancy by the Sponsors without the payment of any rent other than as provided in the Agreement to the same extent as if such other improvements were specifically described therein and demised thereby. In such case, any Net Proceeds received from any award or awards in respect of the Project or any part thereof made in such condemnation or eminent domain proceedings or of title insurance received with respect to any such loss of title, if such Net Proceeds exceed $250,000, shall be paid to the Trustee, shall be deposited into a separate account to be established in the Construction Fund and if such Net Proceeds do not exceed $250,000, such Net Proceeds shall be paid to the Authority. Such Net Proceeds shall be used and applied (i) in accordance with the disbursement requirements of the Agreement if required to be deposited in the Construction Fund, and (ii) for the purpose of paying the cost of such substitution. Any Net Proceeds remaining after completion of such substitution shall be deposited into the Bond Funds.

If the Authority shall determine that it is not practicable and desirable to acquire or construct substitute improvements, any Net Proceeds of condemnation awards or title insurance received by the Authority shall be paid to the Trustee and deposited into Bond Funds and shall be used to redeem any bonds of the respective series of the Project Bonds on the earliest possible redemption date or to pay the principal of the respective series of the Project Bonds as the same becomes due and payable.

The Sponsors shall not, by reason of the inability of the Sponsors or the Authority to use all or any part of the Project during any such period of restoration or acquisition or by reason of the payment of the costs of such restoration or acquisition, be entitled to any reimbursement from the Authority, the Trustee or the Holders of the Project Bonds or any abatement or diminution of the Sponsor Payments payable by the Sponsors under the Agreement nor of any other obligations thereunder except as expressly described in this section.

Granting of Easements

If no Event of Default under the Agreement shall have happened and be continuing, the Authority may at any time or times (a) grant easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Project, or

(b) release existing easements, licenses, rights-of-way and other rights or privileges, all with or without consideration and upon such terms and conditions as the Authority shall determine.

Certain Tax Covenants

The Authority covenants and agrees that it will cause the proceeds of the Project Bonds to be used as soon as practicable and with all reasonable dispatch for the purposes for which the Project Bonds are issued and Sponsors and the Authority covenant and agree that they will not make or cause or permit to be made, whether by the Trustee or otherwise, any use of the proceeds of the Project Bonds which, if such use had been reasonably expected on the date of issuance of the Project Bonds, would have caused the Project Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code or adversely affect the exemption of the interest on the Project Bonds from federal and State of taxation which will cause the Project Bonds to be subject to treatment under Section 141(a) of the Code as "private activity bonds."

Permitted Use of the Project

Subject to the provisions of the Agreement and the Act, the Authority shall have the right to use the Project for any purpose allowed by law and contemplated by the Act. Except as provided in the Agreement, the Sponsors reserve no power or authority with respect to the operation of the Project by the Authority and activities incident thereto, it being the intention of the parties to the Agreement that so long as the Authority shall duly and faithfully observe and perform all of the terms, covenants, provisions and agreements of the Agreement, the Authority shall manage, administer and govern the Project on a continuing day-to-day basis.

Compliance with Laws, Ordinances, Orders, Rules and Regulations

The Authority shall comply with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to it or to the Project.

Restrictions on Mortgage or Sale

The Authority will not mortgage, pledge or otherwise encumber the Project or any part thereof, nor will it sell, lease or otherwise dispose of the Project or any material part thereof; provided, however, subject to the requirements described below under "Assignments and Subleasing," the Authority may lease or allow the sublease of the Project to or by the Regional Convention and Visitors Commission, the St. Louis NFL Corporation, and others which, in the determination of the Authority are necessary or desirable to carry out the purposes allowed by law and contemplated by the Act and may include in any such leases or subleases provisions prohibiting the Authority to enter into any amendments to the Agreement or the Project Indentures which will make a material adverse change in the provisions of such leases or subleases or the rights of the parties thereunder, provided that such restriction shall in no way limit the ability of the Authority to enter into amendments to the Agreement and the Project Indentures which are necessary to cure any ambiguity or formal defect in the Agreement or the Project Indentures, to subject to the Project Indentures the Trust Estate, or to issue Additional Bonds to complete the Project or for Project Additions; provided, further, the Authority may mortgage, pledge or otherwise encumber any fixtures constituting Project Improvements and any Project Equipment if such fixtures or Project Equipment are capable of removal without substantial damage to the Project and the removal thereof would not substantially impair the structural strength or utility of the Project; and provided, further, the Authority may sell any portion of which shall have been replaced by other similar property of at least equal value, or which shall cease to be necessary for the efficient operation of the Project. In the event of sale, the Authority will (i) deposit the proceeds into the Bond Funds for the payment of Outstanding Project Bonds, (ii) deposit the proceeds into the Preservation Fund or (iii) apply the proceeds to the replacement of the property so disposed of by other property which shall be incorporated into the Project as provided above. The Authority may cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the Authority and the Authority shall not be accountable for the proceeds of such disposition.

Additions, Modifications and Improvements to the Project

The Authority shall have the right, at its sole cost and expense, to make such additions, modifications and improvements in and to any part of the Project as the Authority from time to time may deem necessary or desirable for its governmental purposes; provided, however, the Authority shall not make any additions, modifications or improvements which will adversely affect the operation of the Project or substantially reduce its value. All additions, modifications and improvements made by the Authority pursuant to this paragraph shall (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereof, (b) when commenced, be prosecuted to completion with due diligence, and (c) when completed, be deemed a part of the Project.

No such addition, modification or improvement to the Project made shall entitle the Authority to any reimbursement of any Sponsor Payments from the Sponsors, the Trustee or the Registered Owners, nor shall the Sponsors be entitled to any abatement or diminution in Sponsor Payments under the Agreement.

Assignment and Subleasing

The Authority may assign the Agreement in whole or in part, and may sublease the Project as a whole or in part, without the necessity of obtaining the consent of either the Sponsors or the Trustee, subject, however, to each of the following conditions: (a) no assignment or sublease shall relieve the Authority or the Sponsors from primary liability for any of their obligations under the Agreement, and in the event of any such assignment or sublease the Sponsors shall continue to remain primarily liable for payment of the Sponsor Payments and for performance and observance of the other covenants, warranties, representations and agreements on the Sponsors' part therein provided to be performed and observed by it to the same extent as though no assignment or sublease had been made; and (b) the Authority shall, prior to any such assignment or sublease, furnish or cause to be furnished to the Trustee an opinion of counsel nationally recognized on the subject of municipal bonds to the effect that such assignment or sublease will not cause the interest on the Project Bonds to be includable in gross income for federal income tax purposes or otherwise adversely affect the exemption of the interest on the Project Bonds from federal and State of Missouri income taxation; and (c) the Authority shall, within 60 days after the delivery thereof, furnish or cause to be furnished to the Trustee a true and complete copy of each such assignment, assumption of obligations and sublease, as the case may be.

Covenant Regarding Private Security or Payment Test

The Sponsors and the Authority shall not enter into a contract or agreement regarding use of the Project as a whole or in part in the trade or business of any person other than a governmental unit (except use as a member of the general public) if any such person is to make directly or indirectly payments to any of the Sponsors or the Authority or is to provide directly or indirectly security for the Project Bonds, unless the Sponsors and the Authority receive an opinion of Bond Counsel to the effect that such contract or agreement will not cause interest on any of the Project Bonds to be includable in gross income for federal income tax purposes or otherwise adversely affect the exemption of interest on any of the Project Bonds from federal and State income taxation.

Events of Default

If any one or more of the following events shall occur and be continuing with respect to any Sponsor, it shall constitute an Event of Default or "default" under the Agreement with respect to such Sponsor and if any one or more of the following events shall occur and be continuing with respect to the Authority, it shall constitute an Event of Default or "default" under the Agreement with respect to the Authority and each of the Sponsors:

(a) Failure by a Sponsor to pay any Sponsor Payment (except as further provided in the Agreement) during the Agreement Term for a period of five (5) business days after such payments are due and payable, determined without regard to whether the Agreement Term has been terminated with respect to any Sponsor due to the occurrence of an Event of Non-Appropriation with respect to such Sponsor; or

(b) Default in the due observance or performance of any other covenant, agreement, obligation or provision of the Agreement on a Sponsor's part to be observed or performed, and such default shall continue for 60 days after the Authority or the Trustee has given to such Sponsor written notice specifying such default or such longer period as shall be reasonably required to cure such default; provided that (i) such Sponsor has commenced such cure within said 60-day period, and (ii) such Sponsor diligently prosecutes such cure to completion; or

(c) A Sponsor shall (i) admit in writing its inability to pay its debts as they become due; or (ii) file a petition in bankruptcy or for reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Bankruptcy Code as now or in the future amended or any other similar present or future Federal or State statute or regulation, or file a pleading asking for such relief; or (iii) make an assignment for the benefit of its creditors; or (iv) consent to the appointment of a trustee, receiver or liquidator for all or a major portion of its property or shall fail to have vacated or set aside the appointment of any trustee, receiver or liquidator which was made without such Sponsor's consent or acquiescence; or (v) be finally adjudicated as bankrupt or insolvent under any Federal or State law; or (vi) be subject to any proceeding or suffer the entry of a final and non-appealable court order, under any Federal or State law appointing a receiver, trustee or liquidator for all or a major part of its property or ordering the winding-up or liquidation of its affairs, or approving a petition filed against it under the Bankruptcy Code, as now or in the future amended, which order or proceeding, if not the subject of the Sponsors' consent, shall not be dismissed, vacated, denied, set aside or stayed within 60 days after the day of entry or commencement; or (vii) suffer a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial portion of its property, and such writ or warrant of attachment or any similar process is not contested, stayed or is not released within 60 days after the final entry, or levy or after any contest is finally adjudicated or any stay is vacated or set aside; or

(d) The Authority shall vacate or abandon the Project, and the same shall remain uncared for and unoccupied for a period of 60 days; or

(e) Default or the occurrence of an Event of Default under any Project Indenture; or

(f) If any representation or warranty made in the Agreement, or in any certificate, agreement, instrument or statement furnished or made or delivered pursuant thereto or in connection therewith, shall prove to have been incorrect in any material respect when made or effected.

Authority's Remedies on Default

If any Event of Default described above shall have occurred and be continuing with respect to a Sponsor, then the Authority may at the Authority's election (subject, however, to any restrictions contained in the respective Project Indenture against acceleration of the maturity of the respective series of the Project Bonds or termination of the Agreement with respect to such Sponsor), then or at any time thereafter, and while such default shall continue, take any one or more of the following actions:

(a) give each Sponsor written notice of the Authority's intention to terminate all rights to use the Project for Conventions and professional football purposes on a date specified in such notice, which date shall not be earlier than 180 days after such notice is given, and if all defaults have not then been cured, on the date so specified, the Authority shall terminate such uses;

(b) give each Sponsor and any tenant or subtenant under any lease, sublease or other agreement authorizing use of the Project for Conventions and professional football purposes, written notice of the Authority's intention to terminate the rights under any such leases, subleases or other agreements to use the Project for Conventions and professional football purposes on a date specified in such notice which shall not be earlier than 180 days after such notice is given and thereafter to terminate any such leases, subleases and agreements if all defaults shall not have been cured within one calendar year of the date of termination of use of the Project for Conventions and professional football purposes; or

(c) the Authority shall use reasonable diligence to relet or license the use of the Project, or parts thereof, for such term or terms and at such rental and upon such other provisions and conditions as the Authority may deem advisable, subject to the restrictions of the Agreement, with the right to make alterations and repairs to the Project, and no such reentry or taking of possession of the Project by the Authority shall be construed as an election on the Authority's part to terminate the Agreement with respect to the Sponsors, and no such reentry or taking of possession by the Authority shall relieve the Sponsors of their respective obligations to pay Sponsor Payments (at the time or times provided in the Agreement), or of any of their other obligations under the Agreement, all of which shall survive such reletting, and the Sponsors shall continue to pay the Sponsor Payments specified in the Agreement until the end of the Agreement Term, whether or not the Project shall have been relet.

The Authority 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 Sponsors or any right of the Authority under the Agreement.

Trustee's Obligations Upon Event of Default

If any Event of Default specified above in paragraph (a) or (e) under the caption "Events of Default" above shall have occurred and be continuing with respect to a Sponsor, then the Trustee shall (subject, however, to any restrictions contained in the respective Project Indenture against acceleration of the maturity of the respective series of the Project Bonds or termination of the Agreement with respect to such Sponsor) cause such Sponsor's Sponsor Payments for the remainder of such Sponsor's Fiscal Year to become due and payable.

Covenant to Terminate Use of the Project for Conventions and Professional Football Purposes as Directed by the Trustee

If an Event of Default described in (a), (b) or (e) under the caption **"THE INDENTURE – Events of Default"** of this ***Appendix D*** shall have occurred and be continuing, the Trustee shall upon the written request of the Holders of not less than 25% in aggregate principal amount of the respective Project Bonds then Outstanding as set forth in the Project Indentures, by notice in writing delivered to the Authority and the respective Sponsor, direct the Authority to terminate use of the Project for Conventions and professional football purposes and to terminate all leases, subleases and agreements authorizing such use, and the Authority covenants and agrees, upon receipt of such notice, to give each Sponsor and any tenant or subtenant under any lease, sublease or other agreement authorizing use of the Project for Conventions and professional football purposes, written notice of the Authority's intention to terminate the rights under any such leases, subleases or other agreements to use the Project for Conventions and professional football purposes on a date specified in such notice which shall not be earlier than 180 days after such notice is given and thereafter to terminate any such leases, subleases and agreements, if the direction of the Trustee is not rescinded within one calendar year of the date of termination of use of the Project for Conventions and professional football purposes. If such direction of the Trustee has not been rescinded, on the dates so specified, the Authority, on the dates specified in such notice, shall terminate all use of the Project for Conventions and professional football purposes and thereafter shall terminate any such leases, subleases or other agreements, and shall not thereafter allow use of the Project for Conventions and professional football purposes unless so authorized by the Trustee. The Authority covenants and agrees to include in all leases, subleases and agreements authorizing use of the Project provisions to allow such termination.

Authority's Performance of the Sponsors' Obligations

Upon non-receipt by the Trustee of any Sponsor Payment when due or upon termination of the Agreement with respect to a Sponsor upon the occurrence of an Event of Non-Appropriation, the Authority may (but shall not be obligated so to do), and without waiving or releasing such Sponsor from any obligation under the Agreement, make any such Sponsor Payment (including Sponsor Payments which would have been payable but for termination of the Agreement with respect to such Sponsor upon the occurrence of an Event of Non-Appropriation) from moneys on deposit in the Preservation Fund or the Expense Fund, from moneys provided by any other Sponsor, or from any other available moneys of the Authority, and the payment of any such Sponsor Payment by the Authority shall be treated as a payment by such Sponsor for purposes of paragraph (a) described under the caption **"THE FINANCING AGREEMENT – Events of Default"** above.

If a Sponsor shall fail to make any other payment or to keep or perform any of its obligations as provided in the Agreement, then the Authority, or the Trustee in the Authority's name, may (but shall not be obligated so to do) upon the continuance of such failure on the Sponsor's part for 60 days after notice of such failure is given to the Sponsor by the Authority or the Trustee, and without waiving or releasing the Sponsor from any obligation under the Agreement, as an additional but not exclusive remedy, make any such payment or perform any such obligation, and all sums so paid by the Authority or the Trustee and all necessary incidental costs and expenses incurred by the Authority or the Trustee in performing such obligations shall be deemed Additional Payments, and such amounts advanced by the Trustee shall be paid by the Authority to the Trustee on demand, but solely from moneys on deposit in the Expense Fund, and shall bear interest at the rate of 2% per annum over and above the interest rate announced from time to time by the Trustee as its "prime rate" (or such lower maximum amount as may be required by law), from the date of the advance until repaid, but solely from moneys on deposit in the Expense Fund.

Rights and Remedies Cumulative

The rights and remedies reserved by the Authority and the Sponsors under the Agreement and those provided by law shall be construed as cumulative and continuing rights. No one of them shall be exhausted by the exercise thereof on one or more occasions. The Authority and the Sponsors 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 Agreement, notwithstanding availability of an adequate remedy at law, and each party waives the right to raise such defense in any proceeding in equity.

Waiver of Breach

No waiver of any breach of any covenant or agreement contained in the Agreement shall operate as a waiver of any subsequent breach of the same covenant or agreement or as a waiver of any breach of any other covenant or agreement, and in case of a breach by the Sponsors of any covenant, agreement or undertaking by the Sponsors, the Authority may nevertheless accept from the Sponsors any payment or payments under the Agreement without in any way waiving the Authority's right to exercise any of its rights and remedies as provided therein with respect to any such default or defaults of the Sponsors which were in existence at the time when such payment or payments were accepted by the Authority.

* * *

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APPENDIX E

FORM OF OPINIONS OF CO-BOND COUNSEL

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Thompson Coburn LLP and Armstrong Teasdale LLP, Co-Bond Counsel, propose to issue their approving opinions upon the issuance of the Series C 2007 Bonds in substantially the following form:

Regional Convention and
Sports Complex Authority
St. Louis, Missouri

UMB Bank & Trust, N.A., as Trustee
St. Louis, Missouri

Morgan Stanley & Co. Incorporated,
as representative of the underwriters
New York, New York

Ambac Assurance Corporation
New York, New York

Re: $49,585,000 Convention and Sports Facility Project Refunding Bonds, Series C 2007 (The City of St. Louis, Missouri, Sponsor) of the Regional Convention and Sports Complex Authority

Ladies and Gentlemen:

The Regional Convention and Sports Complex Authority, a body politic and corporate and a public instrumentality duly organized and existing under the laws of the State of Missouri (the “Authority”), has on this date issued its Convention and Sports Facility Project Refunding Bonds, Series C 2007 (The City of St. Louis, Missouri, Sponsor), dated as of the date hereof, in the aggregate principal amount of $49,585,000 (the “Series C 2007 Bonds”).

The Series C 2007 Bonds have been authorized and issued under and pursuant to the laws of the State of Missouri, including in particular Sections 67.650 to 67.658 of the Revised Statutes of Missouri, as amended (the “Act”), and the hereinafter referred to Indenture. The Series C 2007 Bonds are further issued pursuant to a Resolution of the Authority adopted on October 6, 2006, to refund the Refunded Bonds (as defined in the Indenture) and to pay the costs and expenses in connection with the issuance of the Series C 2007 Bonds. The Refunded Bonds were issued to finance or refinance a portion of the costs incurred in connection with the Project as described in the Project Financing, Construction and Operation Agreement (the “Agreement”), dated as of August 1, 1991, by and among the Authority, the State of Missouri (the “State”), St. Louis County, Missouri, a constitutional charter county and political subdivision of the State of Missouri (the “County”) and The City of St. Louis, Missouri, a municipal corporation and political subdivision of the State of Missouri (the “City” and, collectively with the State and the County, the “Sponsors”), and to pay costs incidental thereto.

The Series C 2007 Bonds are not general obligations of the Authority or the City or payable in any manner by taxation, but are special limited obligations of the Authority payable solely from the sources specified in the Indenture. The Series C 2007 Bonds and the interest thereon shall never constitute an indebtedness of the Authority or the City or a loan of credit thereof within the meaning of any state constitutional or statutory provision, and shall not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit.

The Authority and the Sponsors have entered into the Agreement which contains, among other things, the terms and conditions of the use of the proceeds of the Series C 2007 Bonds for the purposes stated above and the repayment of said proceeds.

The Series C 2007 Bonds are issued under a Second Amended and Restated Trust Indenture dated as of May 1, 2007 (the "Indenture"), amending and restating that certain Amended and Restated Trust Indenture dated as of February 1, 1997 (the "Amended Indenture"), which amended and restated that certain Trust Indenture dated as of August 1, 1991 (the "Original Indenture"), from the Authority to UMB Bank & Trust, N.A., St. Louis, Missouri, as successor to Mercantile Bank of St. Louis National Association, as Trustee (the "Trustee"), which sets forth the covenants and undertakings of the Authority in connection with the Series C 2007 Bonds. The Authority has assigned to the Trustee, as security for the Series C 2007 Bonds, all of its right, title and interest in and to all City Obligations (as defined in the Agreement) under the Agreement and all City Payments (as defined in the Agreement) and other payments, revenues and receipts derived by the Authority from the City under and pursuant to and subject to the provisions of the Agreement (except certain rights to payment of expenses and indemnification of the Authority).

In connection with the issuance of the Series C 2007 Bonds, we have examined the following:

A. The Act and such other laws as we deem relevant to this opinion.

B. A certified copy of the proceedings of the Authority, preliminary to and in connection with the issuance of the Series C 2007 Bonds and the Refunded Bonds, authorizing, among other things, the following:

   (i) the execution and delivery of the Agreement;

   (ii) the execution and delivery of the Indenture;

   (iii) the execution and delivery of the Tax Letter of Instructions relating to the Series C 2007 Bonds (the "Tax Letter of Instructions") dated as of the date hereof, from Thompson Coburn LLP and Armstrong Teasdale LLP, as Co-Bond Counsel, to the Authority;

   (iv) the execution and delivery of the Refunding Consent Agreement (the "Refunding Agreement") dated as of May 1, 2007 between the Authority and the City;

   (v) the execution and delivery of the Escrow Trust Agreement (the "Escrow Agreement") dated as of May 1, 2007, between the Authority and UMB Bank & Trust, N.A., as Escrow Agent, relating to the Refunded Bonds;

   (vi) the execution and delivery of the Official Statement dated October 6, 2006, as supplemented by Supplement to Official Statement dated May ___, 2007 (as so supplemented, the "Official Statement") by the Authority relating to the Series C 2007 Bonds; and

   (vii) the issuance, sale and delivery of the Series C 2007 Bonds.

C. A certified copy of the proceedings of the County Council of the County authorizing, among other things, the execution and delivery of the Agreement by the County.

D. A certified copy of the proceedings of the Board of Aldermen of the City authorizing, among other things, the execution and delivery of the Agreement by the City.

E. Executed counterparts of the Agreement, the Indenture, the Tax Letter of Instructions, the Refunding Agreement and the Escrow Agreement.

F. A copy of registered Series C 2007 Bond No. R-1.

G. Representations and certifications of the City, the County, the State, the Authority, and Morgan Stanley & Co. Incorporated, as representative of the underwriters.

H. The opinions dated August 28, 1991 of counsel for the Authority, the City, the County and the State, the opinions dated January 12, 1994 of counsel for the Authority, the County and the State, the opinions dated March 13, 1997 of counsel for the Authority and the City, the opinions dated August 1, 2003 of counsel for the Authority, the County and the State and the opinions dated the date hereof of counsel for the Authority and the City.

I. Such other matters, laws and documents as we deem necessary for purposes of this opinion.

In rendering the opinions set forth herein, we have assumed, without undertaking to verify the same by independent investigation, (a) as to questions of fact, the accuracy of all representations of the Authority, the City, the County and the State set forth in the Agreement, the Indenture, the Tax Letter of Instructions, the Refunding Agreement and the Escrow Agreement and all certifications of officers of the Authority, the City, the County and the State and others examined by us, (b) the conformity to original documents of all documents submitted to us as copies and the authenticity of such original documents and all documents submitted to us as originals, (c) that the proceeds of the Series C 2007 Bonds will be used in accordance with the Indenture, the Agreement, the Escrow Agreement and the Tax Letter of Instructions, and (d) that all covenants and requirements of the Agreement, the Indenture, the Tax Letter of Instructions, the Refunding Agreement and the Escrow Agreement will be duly complied with and fulfilled.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series C 2007 Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement). We further express no opinion as to the ability of the City to comply with its obligations under the Agreement or of the Authority to comply with its obligations under the Indenture.

Reference is made to opinions dated August 28, 1991 of counsel for the Authority, the City, the County and the State, to opinions dated January 12, 1994 of counsel for the Authority, the County and the State, to opinions dated March 13, 1997 of counsel for the Authority and the City, to opinions dated August 1, 2003 of counsel for the Authority, the County and the State, and to opinions dated the date hereof of counsel for the Authority and the City, with respect to, among other matters, (a) the due organization of the Authority, the City, the County and the State, (b) the due authorization, execution and delivery of the Agreement, the Indenture, the Tax Letter of Instructions, the Refunding Agreement and the Escrow Agreement by the Authority, the City, the County and the State, to the extent that each is a party thereto, and (c) the binding effect of the Agreement, the Indenture, the Tax Letter of Instructions, the Refunding Agreement and the Escrow Agreement on the Authority, the City, the County and the State, to the extent that each is a party thereto.

Based upon the foregoing and subject to the exceptions and clarifications set forth herein, we are of the opinion, as of the date hereof and under existing law, that:

1. The Authority is duly organized and validly existing as a body politic and corporate and a public instrumentality under the Act with legal authority to issue the Series C 2007 Bonds.

2. The Agreement, the Indenture, the Tax Letter of Instructions, the Refunding Agreement and the Escrow Agreement have been duly authorized, executed and delivered by the parties thereto and each such instrument is a legal and binding instrument upon the parties thereto according to its terms and is in full force and effect, assuming due authorization, execution and delivery by the Trustee, except to the extent that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally or by general principles of equity, whether enforcement is considered in a proceeding at law or in equity.

3. The proceedings of the Authority show lawful authority for the issuance and delivery of the Series C 2007 Bonds under the laws of the State of Missouri now in force. The Series C 2007 Bonds, to the amount specified, are valid and legally binding upon the Authority according to the import thereof and as provided in the Indenture, and are secured thereunder, except to the extent that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally or by general principles of equity, whether enforcement is considered in a proceeding at law or in equity; the Series C 2007 Bonds are and will continue to be payable by the Authority solely from the City Payments derived from the Agreement (and as otherwise provided in the Indenture); said City Payments (other than those relating to indemnification and certain expenses of the Authority) have been duly assigned to the Trustee pursuant to the Indenture and pledged to the payment of the principal of, premium, if any, and interest on the Series C 2007 Bonds as the same becomes due.

4. Assuming continuing compliance with certain covenants in the Agreement, the Indenture, the Tax Letter of Instructions, the Refunding Agreement and the Escrow Agreement to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding, among other matters, use, expenditures and investment of proceeds of the Series C 2007 Bonds, interest on the Series C 2007 Bonds is excluded from gross income for federal income tax purposes. Failure to comply with such covenants or failure to comply with the requirements of the Code may cause interest on the Series C 2007 Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance.

5. The interest on the Series C 2007 Bonds is exempt from income taxation by the State of Missouri. No opinion is expressed regarding the applicability with respect to the Series C 2007 Bonds or the interest on the Series C 2007 Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

6. The Series C 2007 Bonds are not "specified private activity bonds" within the meaning of the alternative minimum tax provisions of the Code and, accordingly, interest on the Series C 2007 Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax on corporations and other taxpayers, including individuals.

7. The Series C 2007 Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code (relating to financial institution deductibility of interest expense).

We express no other opinion regarding federal, state or local tax consequences arising with respect to the Bonds (including, without limitation, those from the inclusion of interest on the Series C 2007 Bonds in adjusted current earnings for purposes of determining federal corporate alternative minimum tax liability).

By rendering the foregoing opinion, we do not undertake to advise you of any changes in laws or facts which may occur or come to our attention after the date hereof.

Very truly yours,

APPENDIX F

FORM OF FORWARD DELIVERY CONTRACT

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APPENDIX F

FORM OF FORWARD DELIVERY CONTRACT

____________, 2006

Re: Regional Convention and Sports Complex Authority, Convention and Sports Facility Project Refunding Bonds, Series C 2007 (The City of St. Louis, Missouri, Sponsor)

Dear Ladies and Gentlemen:

The Purchaser designated below and executing this instrument (the "Purchaser") hereby agrees to purchase from the Underwriters for the initial offering of the Bonds, namely: Morgan Stanley & Co. Incorporated, J.P. Morgan Securities, Inc., A.G. Edwards & Sons, Inc., Citigroup Global Markets Inc., and M. R. Beal & Company (the "Underwriters"), and the Underwriters agree to sell to the Purchaser, $49,585,000 in aggregate principal amount of the Series C 2007 Bonds (the "Purchased Bonds") offered by the Regional Convention and Sports Complex Authority's Preliminary Official Statement dated September 21, 2006 (the "Preliminary Official Statement") and the Official Statement dated October 6, 2006 (the "Official Statement"), receipt of copies of which is hereby acknowledged, at a purchase price and bearing the interest rates, amounts and maturity dates shown in the following table, and on the further terms and conditions set forth in this Forward Delivery Contract:

Maturity Date	Par Amount	Coupon	Purchase Price	CUSIP

Capitalized terms used and not otherwise defined in this Forward Delivery Contract have the meanings set forth in the Official Statement

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement and the Official Statement (including without limitation the section entitled "DESCRIPTION OF FORWARD DELIVERY BOND PURCHASE AGREEMENT" therein), has considered the risks associated with purchasing the Purchased Bonds and is duly authorized to purchase the Purchased Bonds. The Purchaser further acknowledges and agrees that the Purchased Bonds are being sold on a "forward" basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased Bonds from the Underwriters on or about May 17, 2007 (the "Settlement Date"), as and if they may be issued pursuant to the Forward Delivery Bond Purchase Agreement between the Regional Convention and Sports Complex Authority (the "Authority") and the Underwriters (the "Purchase Agreement").

Payment for the Purchased Bonds shall be made to the Underwriters or their order by wire transfer to a bank account specified by the Underwriters, on the Settlement Date upon delivery to the Purchaser of the Purchased Bonds through the book-entry system of The Depository Trust Company.

Upon issuance by the Authority of the Series C 2007 Bonds and purchase thereof by the Underwriters, the obligation of the Purchaser to take delivery of the Purchased Bonds hereunder shall be unconditional. The Underwriters may terminate the Purchase Agreement and their obligation to purchase the Series C 2007 Bonds on the Settlement Date for re-sale to the Purchaser because of a Change in Law. A "Change in Law" is defined to mean:

(i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations, or other pronouncements or interpretations by federal or state agencies;

(ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Settlement Date);

(iii) any rule or regulation proposed or enacted by any governmental body, department, or agency (if such proposed or enacted rule or regulation has a proposed effective date which is on or before the Settlement Date); or

(iv) any judgment, ruling, or order issued by any court or administrative body,

which in any such case, would:

(A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from:

(1) accepting delivery of and paying for the Series C 2007 Bonds in accordance with the provisions of the Purchase Agreement; or

(2) selling the Series C 2007 Bonds or beneficial ownership interests therein to bona fide purchasers; or

(B) as to the Authority, would:

(1) make the issuance, sale, or delivery of the Series C 2007 Bonds illegal (or have the retroactive effect of making such issuance, sale, or delivery illegal, if enacted, adopted, passed, or finalized); or

(2) eliminate the exclusion from gross income of interest on the Series C 2007 Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed, or finalized); or

(3) require the Series C 2007 Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified under the Trust Indenture Act of 1939, as amended,

provided, however, that such change in or addition to law, legislation, rule or regulation, or judgment, ruling, or order shall have become effective, been enacted, introduced, or recommended, or been proposed or been issued, as the case may be, subsequent to the date of the Purchase Agreement. IF A CHANGE OR ADDITION TO LAW, LEGISLATION, RULE OR REGULATION, OR JUDGMENT, RULING, OR ORDER INVOLVES THE ENACTMENT OF LEGISLATION WHICH ONLY DIMINISHES THE VALUE OF, AS OPPOSED TO ELIMINATING THE EXCLUSION FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, INTEREST PAYABLE ON “STATE OR LOCAL BONDS,” THE AUTHORITY MAY, NONETHELESS, BE ABLE TO SATISFY THE REQUIREMENTS FOR THE DELIVERY OF THE PURCHASED BONDS. IN SUCH EVENT, THE PURCHASER WOULD BE REQUIRED TO ACCEPT DELIVERY OF THE PURCHASED BONDS.

The Purchaser acknowledges and agrees that it will not be able to withdraw its order as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Bonds on the Settlement Date because of market or credit changes, including specifically, but not limited to (a) changes in the underlying ratings anticipated to be assigned to the Series C 2007 Bonds or in the credit associated with the Series C 2007 Bonds generally, or (b) changes in the financial condition, operations, performance, properties, or prospects of the Authority or the City from the date hereof to the Settlement Date of the Series C 2007 Bonds (unless such changes give rise to an event of default under the financing documents). The Purchaser further acknowledges that the Underwriters could be liable under the Purchase Agreement for damages to the Authority in the event of a wrongful failure to accept delivery of the Series C 2007 Bonds, and that the Underwriters have executed such Purchase Agreement in reliance on the

Purchaser's commitment set forth herein. Finally, the Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Bonds in accordance with the terms hereof even if the Purchaser decides to sell such Purchased Bonds following the date hereof.

The Purchaser represents and warrants that, as of the date of this Forward Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Bonds under the laws of the jurisdiction to which the Purchaser is subject.

This Forward Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors but will not be assignable by either party hereto without the written consent of the other.

This Forward Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument.

It is understood that the acceptance by the Underwriters of any Forward Delivery Contract (including this one) is in the Underwriters' sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Forward Delivery Contract is acceptable to the Underwriters, then the Underwriters are asked to execute the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriters and the Purchaser when such executed counterpart is so mailed or delivered by the Underwriters. This Forward Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Forward Delivery Contract shall be construed and administered under the laws of the State of New York. The Authority is not a party to this Forward Delivery Contract.

______________________________________,
as Purchaser

By:___________________________________
(Signature)

Name:_________________________________
Title:__________________________________
Address:_______________________________
____
____
____

Accepted: ____________, 2006

MORGAN STANLEY & CO. INCORPORATED,
As Representative of the Underwriters

By: ___________________________________
Name:__________________________________
Title: __________________________________

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APPENDIX G

SPECIMEN BOND INSURANCE POLICY

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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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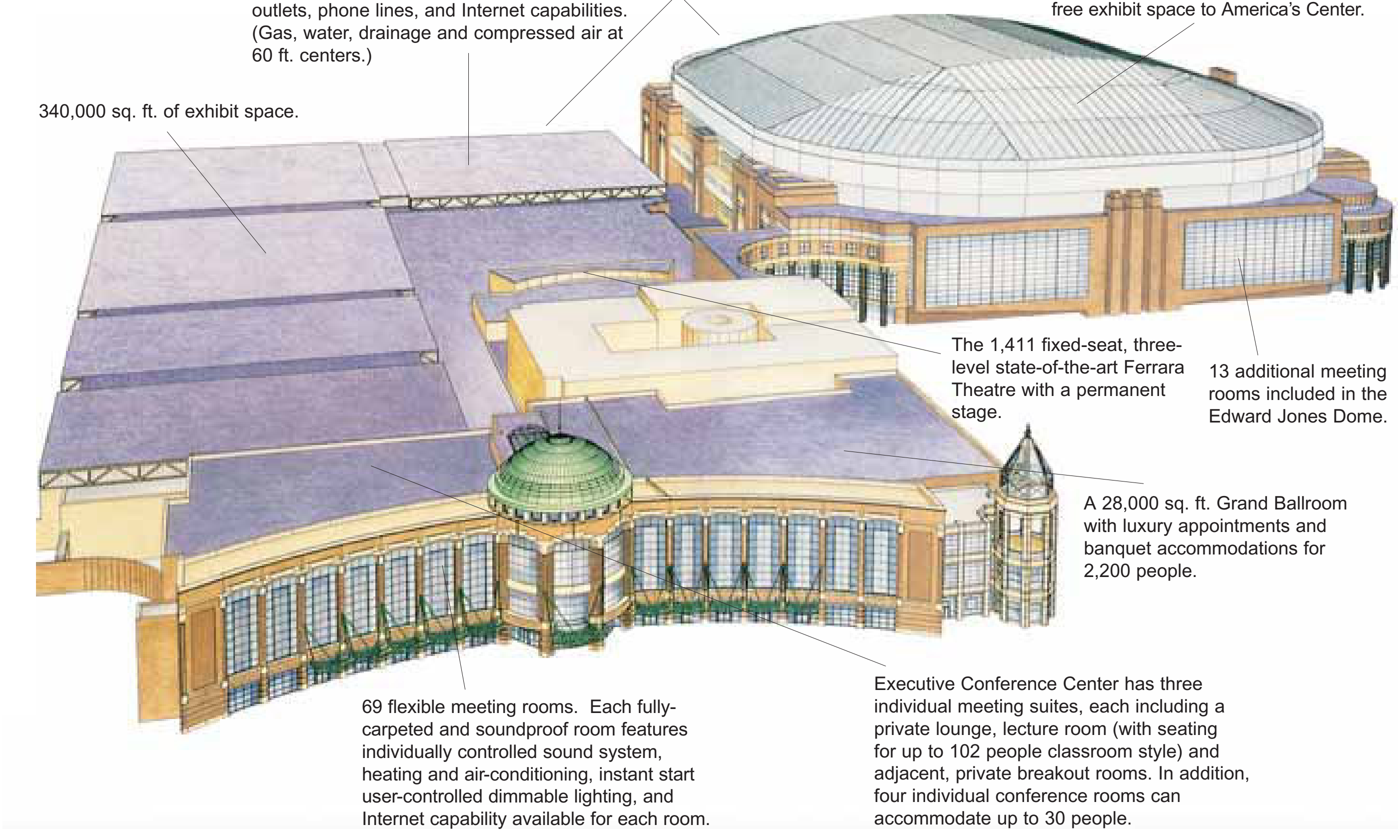
AMERICA'S CENTER
(ST. LOUIS, MISSOURI)



EDWARD JONES DOME
(ST. LOUIS, MISSOURI)