NEW ISSUE: BOOK-ENTRY ONLY **RATINGS: (See "RATINGS" herein)**

In the opinion of Co-Bond Counsel, interest on the Series 2008A Bonds is not excludable from gross income of the owners thereof for federal income tax purposes and is not exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, as amended. See ***"TAX MATTERS"*** *herein regarding certain other tax considerations.*

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

$45,000,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION

$19,445,000
Taxable Public Safety Sales Tax
Leasehold Revenue Bonds
(City of St. Louis, Missouri, Lessee)
Series 2008A
(Pension Funding Project)

$25,555,000
Tax-Exempt Juvenile Detention Center
Leasehold Revenue Bonds
(City of St. Louis, Missouri, Lessee)
Series 2008B

Dated: Date of Delivery **Due: June 1, as shown in the inside cover**

The St. Louis Municipal Finance Corporation $19,445,000 Taxable Public Safety Sales Tax Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008A (Pension Funding Project) (the **"Series 2008A Bonds"**), and the $25,555,000 Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008B (the **"Series 2008B Bonds"**, and together with the Series 2008A Bonds, the **"Series 2008 Bonds"**), are being issued by the St. Louis Municipal Finance Corporation (the **"Corporation"**), a nonprofit corporation organized and existing under the laws of the State of Missouri (the **"State"**). The Series 2008 Bonds will be issued under and secured by a Trust Indenture dated as of June 1, 2008 (the **"Indenture"**), by and between the Corporation and UMB Bank, N.A., St. Louis, Missouri, as trustee (the **"Trustee"**). The proceeds of the Series 2008 Bonds will be used to (i) fund the Pension Funding Project (as herein defined); (ii) fund certain Improvements (as defined herein); (iii) provide for the purchase of credit enhancement for the Series 2008 Bonds; (iv) provide for the purchase of a reserve fund financial guaranty insurance policy for the Series 2008 Bonds; and (v) pay certain costs of issuance associated with the Series 2008 Bonds.

The Series 2008 Bonds and the interest thereon shall be special obligations of the Corporation payable solely out of the Rentals, Additional Rentals (as herein described) and certain other revenues, moneys and receipts derived by the Corporation pursuant to the Lease (all as herein described), and are secured by a pledge and assignment of the Trust Estate (as herein described) to the Trustee pursuant to the Indenture. No incorporator, member, agent, employee, director or officer of the Corporation or the City shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease for anything done or omitted to be done by the Corporation or the City thereunder. The Series 2008 Bonds and interest thereon shall not be a debt of the City, the State, or any instrumentality thereof, and none of the City, the State, or any instrumentality thereof shall be liable thereon, and the Series 2008 Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Series 2008 Bonds are further secured by a Leasehold Deed of Trust (as herein described), the lien of which shall encumber the Corporation's leasehold interest in the Leased Property (as herein described). The obligation of the City to pay Rentals and Additional Rentals is subject to annual appropriation by the St. Louis Board of Aldermen. *With regard to the Series 2008A Bonds, while the City imposes a Public Safety Sales Tax which may be appropriated to pay Rentals and Additional Rentals, such tax is not subject to a pledge for such purpose, and the City has no obligation to appropriate any portion of the receipts from such tax to pay such Rentals or Additional Rentals.* **The Corporation has no taxing power.** See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS"** and **"PUBLIC SAFETY SALES TAX"** herein.

The Series 2008 Bonds are offered for sale in those jurisdictions in the United States where it is lawful to make such offers. Clearance is expected to be available through The Depository Trust Company, New York, New York (**"DTC"**) (as described herein).

The Series 2008 Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co or other such name (either, the **"Nominee"**), as may be requested by an authorized representative of DTC. Purchases of the Series 2008 Bonds will be made in book-entry form in denominations of $5,000 or any integral multiple of $5,000 in excess thereof. Purchasers will not receive certificates representing their interests in the Series 2008 Bonds purchased. So long as the Nominee is the registered owner of the Series 2008 Bonds, references herein to the Bondholders or registered owners shall mean the Nominee, as aforesaid, and shall not mean the beneficial owners of the Series 2008 Bonds. See **"Underwriting - Global Plan of Distribution"** and Appendix E **"BOOK-ENTRY, CLEARANCE AND SETTLEMENT PROCEDURES"** herein.

Principal of the Series 2008 Bonds will be payable as set forth on the inside front cover of this Official Statement. The Series 2008 Bonds will bear interest from their dated date, payable beginning December 1, 2008, and semiannually thereafter on June 1 and December 1 of each year. Payments of principal of, premium, if any, and interest on the Series 2008 Bonds will be made by the Trustee to the Nominee for disbursement to the DTC Participants (as herein defined) for subsequent disbursement to the beneficial owners of the Series 2008 Bonds.

The purchase of the Series 2008 Bonds is subject to certain risks and may not be a suitable investment for all persons. Prospective purchasers should carefully evaluate the risks and merits of investing in the Series 2008 Bonds. See **"BONDHOLDERS' RISKS"** herein.

The Series 2008 Bonds shall be subject to optional, mandatory, and extraordinary redemption prior to maturity as more fully described herein.

Payment, when due, of the principal and interest on the Series 2008 Bonds will be guaranteed by a financial guaranty insurance policy to be issued concurrently with the issuance of the Series 2008 Bonds by Assured Guaranty Corp. (the **"Credit Provider"**). See **"CREDIT PROVIDER"** and **"BOND INSURANCE"** herein.

ASSURED GUARANTY

This cover page contains information for reference only. It is not a complete summary of the Series 2008 Bonds. Investors must read the entire Official Statement, including the cover page, the inside front cover, and Appendices hereto to obtain information essential to making an informed investment decision. Capitalized terms used but not defined on this cover page have the meanings provided herein.

See the inside cover page for maturities, principal amounts, interest rates, prices, yields, and CUSIP numbers.

The Series 2008 Bonds are offered when, as and if issued by the Corporation and accepted by the underwriters listed below (the **"Underwriters"**), subject to prior placement, withdrawal or modification of the offer without notice, and subject to the approval of the validity of the Series 2008 Bonds by Armstrong Teasdale LLP and Saulsberry & Associates, LLC, Co-Bond Counsel, and certain other conditions referred to herein. Certain legal matters will be passed upon for the Corporation and the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Lewis & Munday, A Professional Corporation and Gallop, Johnson & Neuman L.C. It is expected that the Series 2008 Bonds will be available for delivery through DTC, in New York, New York on or about June 12, 2008.

Siebert Brandford Shank & Co., LLC

Citi **JPMorgan**

The date of this Official Statement is June 4, 2008.

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

The Series 2008 Bonds will be issued in book-entry form and represented by one or more global bonds for each stated maturity (each a "Global Bond"), in fully registered form, without coupons, which will be registered in the name of Cede & Co or other such name as may be requested by an authorized representative of The Depository Trust Company ("DTC"), New York, New York, as Depository for the accounts of its participants. Except as described in this Official Statement, beneficial interests in the Global Bonds will be represented, and transfers thereof will be effected, only through book-entry accounts maintained by DTC and its direct or indirect participants. Initial settlement for the Series 2008 Bonds will be made in immediately available funds and secondary market trading activity in beneficial interests therein will be settled in such funds. So long as the Series 2008 Bonds are held in book-entry form, definitive bonds will not be issued in exchange for beneficial interests in the Global Bonds. See Appendix E "BOOK ENTRY, CLEARANCE AND SETTLEMENT PROCEDURES."

$19,445,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
Taxable Public Safety Sales Tax
Leasehold Revenue Bonds
(City of St. Louis, Missouri, Lessee)
Series 2008A
(Pension Funding Project)

$9,190,000 Serial Bonds

Maturity (June 1)	Principal	Interest Rate	Price	Yield	CUSIP†
2009	1,275,000	3.826%	100%	3.826%	79165TMF5
2010	1,445,000	4.226	100%	4.226	79165TMG3
2011	1,505,000	4.703	100%	4.703	79165TMH1
2012	1,575,000	4.903	100%	4.903	79165TMJ7
2013	1,655,000	5.003	100%	5.003	79165TMK4
2014	1,735,000	5.207	100%	5.207	79165TML2

$10,255,000 Term Bond

$10,255,000, 5.857% Term Bond Due June 1, 2019 at 100% to Yield 5.857% - CUSIP† 79165TMM0

$25,555,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
Tax-Exempt Juvenile Detention Center
Leasehold Revenue Bonds
(City of St. Louis, Missouri, Lessee),
Series 2008B

$8,170,000 Serial Bonds

Maturity (June 1)	Principal	Interest Rate	Price	Yield	CUSIP†
2009	$ 475,000	4.000%	101.987%	1.920%	79165TMN8
2010	465,000	4.000	103.078	2.390	79165TMP3
2011	480,000	4.000	103.540	2.750	79165TMQ1
2012	500,000	4.000	103.677	3.010	79165TMR9
2013	520,000	4.000	103.834	3.160	79165TMS7
2014	540,000	4.000	103.653	3.320	79165TMT5
2015	565,000	4.000	103.192	3.480	79165TMU2
2016	585,000	4.000	102.539	3.630	79165TMV0
2017	610,000	4.000	101.659	3.780	79165TMW8
2018	635,000	4.000	100.653	3.920	79165TMX6
2019	660,000	4.000	99.559	4.050	79165TMY4
2020	685,000	4.000	98.780	4.130	79165TMZ1
2021	710,000	4.000	97.818	4.220	79165TNA5
2022	740,000	4.000	96.975	4.290	79165TNB3

$17,385,000 Term Bonds

$2,410,000, 4.25% Term Bond Due June 1, 2025 at 97.633% to Yield 4.45% - CUSIP† 79165TNC1

$2,740,000, 4.50% Term Bond Due June 1, 2028 at 98.829% to Yield 4.59% - CUSIP† 79165TND9

$12,235,000, 4.50% Term Bond Due June 1, 2038 at 96.333% to Yield 4.73% - CUSIP† 79165TNE7

†CUSIP data herein are set forth herein for convenience of reference only. None of the Trustee, the Corporation, the City or the Underwriters assumes responsibility for the accuracy of such information.

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

No dealer, broker, salesman or other person has been authorized by the Corporation, the City 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 can there be any sale of the Series 2008 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

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

The Series 2008 Bonds have not been registered with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the exemption contained in Section 3(a)(2) of such act. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act. The registration or qualification of the Series 2008 Bonds in accordance with applicable provisions of securities laws of any states in which the Series 2008 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2008 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Assured Guaranty makes no representation regarding the Series 2008 Bonds or the advisability of investing in the Series 2008 Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or committed herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty under the headings "BOND INSURANCE", "CREDIT PROVIDER" and "Appendix F – Specimen Financial Guaranty Insurance Policy."

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

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

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

THE CITY OF ST. LOUIS ELECTED OFFICIALS

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

BOARD OF ALDERMEN

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

ST. LOUIS MUNICIPAL FINANCE CORPORATION BOARD OF DIRECTORS

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

OTHER CITY OFFICIALS

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

BOARD OF ESTIMATE AND APPORTIONMENT

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

FINANCIAL ADVISOR

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

INVESTMENT ADVISOR

Columbia Capital Management LLC
St. Louis, Missouri

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OFFICIAL STATEMENT

Relating to

$19,445,000 **Taxable Public Safety Sales Tax** **Leasehold Revenue Bonds** **(City of St. Louis, Missouri, Lessee)** **Series 2008A** **(Pension Funding Project)**	**$25,555,000** **Tax-Exempt Juvenile Detention Center** **Leasehold Revenue Bonds** **(City of St. Louis, Missouri, Lessee)** **Series 2008B**

INTRODUCTION

The information in this section is furnished solely to provide limited introductory information regarding the terms of the $19,445,000 Taxable Public Safety Sales Tax Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008A (Pension Funding Project) (the **"Series 2008A Bonds")**, and the $25,555,000 Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008B (the **"Series 2008B Bonds",** and together with the Series 2008A Bonds, the **"Series 2008 Bonds"**), issued by the herein defined Corporation and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the cover page and the Appendices hereto. The order and placement of materials in this Official Statement, including the information on the cover page and the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. Capitalized terms used and not defined herein are defined under the section **"DEFINITIONS OF WORDS AND TERMS"** set forth in **Appendix C** to this Official Statement.

The City

Certain information relating to The City of St. Louis, Missouri (the **"City"**) is set forth in **"Appendix A – INFORMATION CONCERNING THE CITY OF ST. LOUIS"**. The City's basic audited financial statements for the fiscal year ended June 30, 2007, the most recent fiscal year for which audited financial statements of the City are available, are set forth in **"Appendix B – INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS OF THE CITY OF ST. LOUIS, MISSOURI, FOR THE FISCAL YEAR ENDED JUNE 30, 2007"**. A complete copy of the City's 2007 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007, is available for inspection at the City's Comptroller's Office, 1200 Market Street, City Hall, Room 212, St. Louis, Missouri, 63103. Payments made by the City under the Lease (as described herein) will be made from funds to the extent appropriated by the City from the Public Safety Protection Sales Tax Fund and its General Fund (as defined in **Appendix A** hereto) on an annual basis. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS"** herein.

The Issuer

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

Authorization for the Series 2008 Bonds

The Series 2008 Bonds are issued under the authority of the laws and Constitution of the State of Missouri (the **"State"**), Ordinance No. 67969, adopted by the Board of Aldermen of the City on March 14, 2008, and approved by the Mayor on March 31, 2008, and Ordinance No. 67974 amending and supplementing Ordinance 67969, adopted by the Board of Aldermen of the City and approved by the Mayor on May 22, 2008 (together, the **"Ordinance"**); and a resolution of the Board of Directors of the Corporation adopted on June 4, 2008 (the **"Corporation Resolution"**). The Series 2008 Bonds are issued under and secured by a Trust Indenture dated as of June 1, 2008 (the **"Indenture"**), by and between the Corporation and UMB Bank, N.A., St. Louis, Missouri, as trustee (the **"Trustee"**). The Series 2008 Bonds, and any bond or bonds, including **"Additional Bonds"** (as defined in the Indenture), that may be authenticated and delivered under the Indenture are referred to herein from time to time as **"Bond"** or **"Bonds."**

Purposes of the Series 2008 Bonds

The proceeds of the Series 2008 Bonds will be used to: (i) fund the Pension Funding Project (as herein defined); (ii) fund all or a portion of the construction, installation, rehabilitation, and improvement of certain capital improvements (collectively, the **"Improvements"**); (iii) provide credit enhancement for the Series 2008 Bonds; (iv) provide for the purchase of a reserve fund financial guaranty insurance policy for the Series 2008 Bonds; and (v) pay certain costs of issuance associated with the Series 2008 Bonds. For additional information on the use of the proceeds of the Series 2008 Bonds, see **"THE PROJECT"** herein.

Security and Sources of Payment for the Series 2008 Bonds

The Series 2008 Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals, Additional Rentals and certain other revenues, moneys, and receipts derived by the Corporation pursuant to the Lease, and are secured by a pledge and assignment of the Trust Estate pursuant to the Indenture. The Series 2008 Bonds are further secured by a Leasehold Deed of Trust, the lien of which shall encumber the Corporation's leasehold interest in the Leased Property (as herein described). Payment of principal of and interest on the Series 2008 Bonds will be on parity with the payment of any Additional Bonds that may be issued pursuant to a supplemental indenture. For additional information on the security and sources of payment for the Series 2008 Bonds, see **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS"** herein.

Pursuant to a Base Lease, dated as of June 1, 2008, between the City and the Corporation (the **"Base Lease"**), the City will lease to the Corporation a leasehold interest in certain real property known as the City Juvenile Detention Center, the buildings, structures, facilities, equipment and related support located thereon, as further described in the Indenture (the **"Real Property"**) and the portion of the Improvements located thereon (the Real Property and the Improvements located thereon are referred to herein as the **"Leased Property"**). Pursuant to a Lease Purchase Agreement, dated as of June 1, 2008, between the City and the Corporation (the **"Lease**") the Corporation will sublease the Leased Property to the City and grant to the City an option to purchase the leasehold interest of the Corporation in the Leased Property.

Pursuant to the Lease, the City has covenanted and agreed that during each fiscal year of the City, which currently begins on July 1 (the **"Fiscal Year"**), or portion thereof in which the Series 2008A Bonds remain outstanding, it will not use revenues from the Public Safety Sales Tax for any purpose other than payment of Rentals and Additional Rentals with respect to the Series 2008A Bonds and certain debt service payments unless payments of such Rentals and Additional Rentals or debt service have been

provided. See **"PUBLIC SAFETY SALES TAX – Public Safety Sales Tax Overview."**

While the City imposes the Public Safety Sales Tax, which may be appropriated to pay Rentals and Additional Rentals, such tax is not subject to a pledge for such purpose, and the City has no obligation to appropriate any portion of the receipts from such tax to pay such Rentals or Additional Rentals.

THE SERIES 2008 BONDS AND THE INTEREST THEREON SHALL NOT BE A DEBT OF THE CITY, THE CORPORATION, THE STATE, OR ANY INSTRUMENTALITY THEREOF AND NONE OF THE CITY, THE CORPORATION, THE STATE, OR ANY INSTRUMENTALITY THEREOF SHALL BE LIABLE THEREON, AND THE SERIES 2008 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION OR THE CITY THEREUNDER.

THE ASSETS OF THE RETIREMENT SYSTEMS (AS DEFINED HEREIN) WILL NOT SECURE OR BE AVAILABLE TO PAY THE SERIES 2008 BONDS.

Definitions and Summaries of Certain Legal Documents

Capitalized terms used and not defined herein are defined in the section **"DEFINITIONS OF WORDS AND TERMS"** set forth in **Appendix C** to this Official Statement. Summaries of the Indenture, the Base Lease, the Lease, and the Leasehold Deed of Trust are set forth in **Appendix C** to this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Base Lease, the Lease, and the Leasehold Deed of Trust are qualified in their entirety by reference to such documents. The definitive forms of such documents may be reviewed prior to delivery of the Series 2008 Bonds at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request. Following delivery of the Series 2008 Bonds, copies of such documents may be reviewed at the office of the Trustee, UMB Bank, N.A., 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490.

THE PROJECT

The Pension Funding Project

The City of St. Louis Police Retirement System (the **"PRS"**) and the City of St. Louis Firemen's Retirement System (the **"FRS",** and, together with the PRS, the **"Retirement Systems"**) filed two actions in the Circuit Court of the City of St. Louis (the **"Circuit Court"**) against the City seeking declaratory and injunctive relief and damages on the basis that the City was required to pay the entire certified amounts submitted by the PRS and the FRS for their fiscal years 2004 and 2004-2005, respectively. The Circuit Court granted summary judgment in favor of the PRS and FRS, and the City appealed the rulings. The Missouri Eastern District Court of Appeals transferred the cases to the Supreme Court of the State of Missouri (the **"Supreme Court"**). On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

On February 5, 2008, the voters of the City approved the imposition and collection of the herein defined Public Safety Sales Tax, the revenues from which may fund, among other items, the operation of

public safety departments, including, but not limited to, contributions to the Retirement Systems. See "**PUBLIC SAFETY SALES TAX – Public Safety Sales Tax Overview.**"

In response to the above cited actions, and pursuant to the Ordinance, the Board of Aldermen of the City has authorized and approved the issuance and sale by the Corporation of the Series 2008A Bonds for the purposes of making certain actuarially required contributions of the City coming due in the current Fiscal Year in connection with either or both of the Retirement Systems (the **"Pension Funding Project"**).

The Improvements

A portion of the proceeds of the Series 2008B Bonds will be used to fund the construction, installation, rehabilitation, and improvement of the Improvements located upon the Real Property, and a portion will be used to fund Improvements upon certain real property located within the geographical boundaries of the City, excluding the Real Property.

THE LEASED PROPERTY

Lease of the Leased Property

Concurrently with the issuance of the Series 2008 Bonds, and in order to secure the payment of the Series 2008 Bonds, the Corporation will, among other agreements, enter into the following:

(i) the Base Lease, pursuant to which the City will convey to the Corporation a leasehold interest in the Leased Property;

(ii) the Lease, pursuant to which the Corporation will convey to the City a subleasehold interest in the Leased Property, together with an option to purchase the Corporation's leasehold interest in the Lease Property created by the Base Lease; and

(iii) a Leasehold Deed of Trust, Security Agreement and Fixture Filing, dated as of June 1, 2008 (the **"Leasehold Deed of Trust"**), from the Corporation to the mortgage trustee named therein for the benefit of the Trustee on behalf of the holders of the Series 2008 Bonds, wherein the Corporation will transfer to the Trustee a lien in and to all of the Corporation's right, title, and interest in and to (a) the Corporation's leasehold interest in the Leased Property existing pursuant to the Base Lease, (b) all leases, subleases, licenses, concessions, occupancy agreements, or other agreements (written or oral, now or at any time in effect) which grant a possessory interest in, or the right to use, all or any part of the mortgaged property, together with all related security and other deposits (the **"Subleases"**), (c) all of the rents, revenues, income, proceeds, profits, security, and other types of deposits, and other benefits paid or payable by parties to the Subleases (other than the Corporation), (d) all accessions, replacements, and substitutions for any of the foregoing and all proceeds thereof, (e) all insurance policies, unearned premiums therefor, and proceeds from such policies covering any of the above property acquired by the Corporation as of or after the date of the Leasehold Deed of Trust, and (f) any awards, remunerations, reimbursements, settlements, or compensation made as of or after the date of the Leasehold Deed of Trust by any governmental authority pertaining to the Leased Property or any portion thereof. Clauses (a) through (f) of the preceding sentence are referred to herein as the **"Mortgaged Property."** See **"SUMMARIES OF LEGAL DOCUMENTS"** set forth in **Appendix C** hereto.

Management of the Leased Property

The Leased Property has been and will continue to be managed by the City.

PUBLIC SAFETY SALES TAX

Public Safety Sales Tax Overview

Section 92.500 RSMo. (the **"Public Safety Sales Tax Act"**) authorizes the City to levy a one-half of one percent sales tax for the purpose of providing for revenues for the operation of public safety departments on approval of the voters of the City of such tax. On February 5, 2008, the voters of the City approved the imposition and collection of a one-half of one percent (1/2%) tax **(**the **"Public Safety Sales Tax")** on all retail sales made in the City which are subject to taxation under the provisions of Sections 144.010 to 144.525 RSMo (the **"Sales Tax Law"**) for the purpose of providing funding for revenues for the operation of public safety departments including, but not limited to, compensation, pension programs, and health care for employees and pensioners of the public safety departments. Under the Public Safety Sales Tax Act, the proceeds from the Public Safety Sales Tax are required to be deposited in a segregated account.

Pursuant to Ordinance No. 67794, the Board of Aldermen of the City established a special segregated fund known as the **"Public Safety Protection Sales Tax Fund"** and annual deposit requirements into such Fund, including $11 million per year to the Police and Firemen's Public Safety Pension Trust Sub-Accounts. Revenues on deposit in the Public Safety Pension Trust Sub-Accounts, and interest thereon, may be used only (1) first, for the purpose of funding debt service payments associated with any bonds issued to fund actuarially required contributions for the Retirement Systems, and (2) second, to fund actuarially required contributions payments.

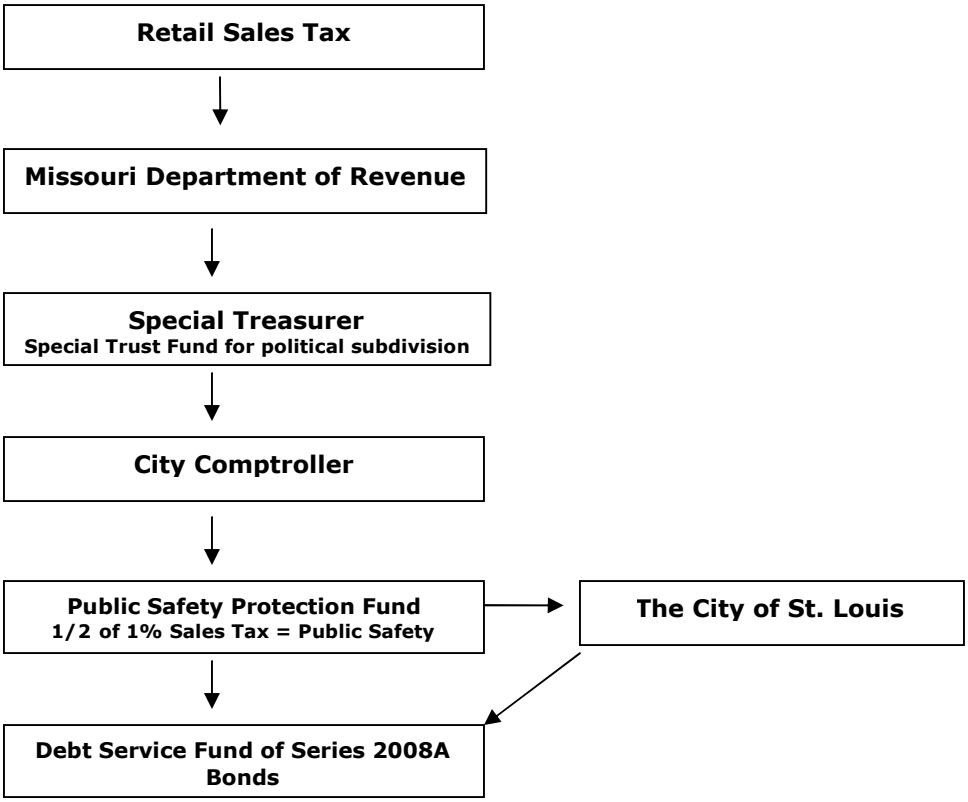
All expenditures of the Public Safety Protection Sales Tax Fund are subject to annual appropriation of the St. Louis Board of Aldermen. Pursuant to the Lease and, with regard only to the Series 2008A Bonds, the City has covenanted and agreed that during each Fiscal Year or portion thereof in which the Bonds remain outstanding it will not use revenues from the Public Safety Sales Tax for any purpose other than (i) payment of Rentals and Additional Rentals with respect to the Series 2008A Bonds during the then-current Fiscal Year, if applicable, and (ii) payments of that portion of the debt service of (a) the Series 2008A Bonds, and (b) any subsequent series of bonds refunding or refinancing all or any portion of the Series 2008A Bonds during such then-current Fiscal Year, unless payments of such Rentals and Additional Rentals or debt service, as the case may be, if any, have been provided for.

Appropriation

THE CITY IS NOT AND CANNOT BE LEGALLY OBLIGATED TO APPROPRIATE FUNDS TO PAY RENTALS AND ADDITIONAL RENTALS UNDER THE LEASE. THE PUBLIC SAFETY SALES TAX REVENUES ARE NOT PLEDGED OR OTHERWISE COMMITTED TO PAY DEBT SERVICE ON THE SERIES 2008A BONDS AND MAY NOT BE PLEDGED, COMMITTED, OR OTHERWISE USED TO PAY DEBT SERVICE ON THE SERIES 2008B BONDS. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS"** herein.

The Public Safety Sales Tax revenues shall be expended only upon appropriations by the Board of Aldermen of the City. It is anticipated that the Board of Aldermen will

appropriate each year, from the Public Safety Protection Sales Tax Fund the amounts required to pay all Rentals and Additional Rentals with respect to the Series 2008A Bonds required by the Lease and, pursuant to the Lease, the City has agreed that during each Fiscal Year or portion thereof in which the Bonds remain outstanding, the City will not use Public Safety Sales Tax revenues in the then-current Fiscal Year for any purpose other than making payments of Rentals and Additional Rentals with respect to the Series 2008A Bonds during such then-current Fiscal Year, and certain debt service, unless the City shall have provided for such Rentals and Additional Rentals. See **"PUBLIC SAFETY SALES TAX – Public Safety Sales Tax Overview."** The following chart illustrates the flow of funds derived from the Public Safety Sales Tax for the Series 2008A Bonds:



General Fund Retail Sales Tax

The following table shows the historic and projected retail sales tax collected for the City's General Fund under the provisions of the Sales Tax Law for each Fiscal Year of the City beginning in 2000, and the hypothetical (2000-2007) and projected (2008-2009) amounts of Public Safety Sales Tax which would be collected at the rate of 1/2 of 1%.

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Fiscal Year	Rate[1]	Gross Sales	General Fund Retail Sales Tax Amount	Hypothetical Public Safety Sales Tax[2] Amount
2000	1.375%	$3,500,709,527	$48,134,756	$17,503,548
2001	1.375%	$3,549,616,509	$48,807,227	$17,748,084
2002	1.375%	$3,458,582,327	$47,555,507	$17,292,912
2003	1.375%	$3,365,883,885	$46,280,903	$16,829,420
2004	1.375%	$3,266,663,345	$44,916,621	$16,333,316
2005	1.375%	$3,346,405,964	$46,013,082	$16,732,028
2006	1.375%	$3,443,391,927	$47,346,639	$17,216,960
2007 (actual)	1.375%	$3,576,218,182	$48,759,269	$17,881,092
2008 (projected)[3]	1.375%	$3,647,709,091	$49,910,000	$18,238,544
2009 (projected)[3]	1.375%	$3,665,627,727	$50,403,000	$15,273,637

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

[2]Amount that would have been collected at the rate of 1/2 of 1% of taxable retail sales during 2000-2008 Fiscal Years and that are anticipated to be collected in Fiscal Year 2009 if the City's projected level of retail sales is achieved. With the Public Safety Sales Tax going into effect on July 1, 2008, the $15,273,637 in Fiscal Year 2009 reflects a 10 month collection cycle resulting from a two month remittance delay in collections from the State.

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

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

Taxable Sales and Exemptions Generally

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

Collection, Distribution and Enforcement

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

Under the Sales Tax Law, every retailer is required, on or before the last day of the month following each calendar quarter, to file a return showing the seller's gross receipts and the amount of sales tax, including the Public Safety Sales Tax, levied for the preceding quarter and remit with

the return the sales taxes levied. However, where the aggregate amount of the sales tax levied and imposed upon a seller is in excess of two hundred fifty dollars ($250) per month, the seller shall file a return and remit the amount of sales taxes levied for the calendar quarter. If a seller's aggregate state sales tax was ten thousand dollars ($10,000) or more in each of at least six months during the prior twelve months, the Department of Revenue may, by regulation, require a seller to timely remit the unpaid state sales tax for the following periods of each month: (a) the first seven days of a calendar month, (b) the eighth to fifteen days of a calendar month, (c) the sixteenth to twenty-second day of a calendar month, and (d) the portion following the twenty-second day of a calendar month. The remittance shall be timely if mailed within three banking days after the end of each such period or if received within four banking days after the end of each such period.

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

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

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

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

In any case in which any assessment of sales tax, interest, additions to sales tax or penalty imposed under the Sales Tax Law has been made and has become final, the Department of Revenue may file for record in the recorder's office of any county (or the City) in which the

taxpayer owing such sales tax, interest, additions to sales tax or penalty resides, owns property or has a place of business a certificate of lien specifying the amount of the sales tax, additions to sales tax, interest or penalty due and the name of the person liable for same. The lien shall be continuing and shall attach to real or personal property owned by the taxpayer or acquired in any manner by the taxpayer after filing of the certificate of lien. In addition, the lien may be filed for record in the office of the clerk of the circuit court of any county (or the City) in which the taxpayer resides, or has a place of business, or owns property. The clerk of the circuit court shall file such certificate and enter it in the record of the circuit court for judgments and decrees under the procedure prescribed for filing transcripts of judgments.

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

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS

General

The Series 2008 Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals and Additional Rentals (as such terms are described below) and certain other revenues, moneys, and receipts derived by the Corporation pursuant to the Lease, and are secured by a pledge and assignment of the Trust Estate to the Trustee in favor of the Bondholders, as provided in the Indenture. Pursuant to the Lease, the City is required, subject to annual appropriation, to pay to the Trustee as assignee of the Corporation, in funds which will be immediately available to the Trustee not less than five (5) Business Days before the date any payment is due, as rentals in respect of the Leased Property, amounts which shall correspond to the payments in respect of the principal of, premium, if any, and interest on the Bonds whenever and in whatever manner the same shall become due (said amounts being referred to herein as the **"Rentals"**). Additionally, the City has covenanted in the Lease, subject to annual appropriation, to pay to such parties and at such times the amounts as are set forth in the Lease (said amounts being referred to herein as the **"Additional Rentals"**). Pursuant to the Lease, the Rentals and Additional Rentals (except the Corporation's rights to indemnification under the Lease and certain other amounts as set forth in the Lease) have been assigned by the Corporation to the Trustee for the benefit of the Bondholders. See **"SUMMARIES OF LEGAL DOCUMENTS"** set forth in **Appendix C** hereto.

THE CITY'S OBLIGATION TO PAY RENTALS AND ADDITIONAL RENTALS PURSUANT TO THE LEASE IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY. IF THE CITY FAILS TO BUDGET AND APPROPRIATE FUNDS FOR RENTALS AND A REASONABLE ESTIMATE OF ADDITIONAL RENTALS IN ANY FISCAL YEAR, THE LEASE WILL TERMINATE AT THE END OF THE FISCAL YEAR FOR WHICH FUNDS HAVE BEEN APPROPRIATED AND THE CITY SHALL BE REQUIRED TO VACATE THE LEASED PROPERTY.

THE SERIES 2008 BONDS AND THE INTEREST THEREON SHALL NOT BE A DEBT OF THE CITY, THE CORPORATION, THE STATE, OR ANY INSTRUMENTALITY THEREOF AND NONE OF THE CITY, THE CORPORATION, THE STATE, OR ANY INSTRUMENTALITY THEREOF SHALL BE LIABLE THEREON, AND THE SERIES 2008 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION THEREUNDER.

Although subject to annual appropriation, the City's obligation to make payments of Rentals and Additional Rentals for which it has appropriated is absolute and unconditional, must be sufficient to fund debt service on the Bonds and to pay all other amounts required under the Lease and the Indenture, and are not subject to notice or demand, or abatement, offset, deduction, setoff, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever. Additionally, subject to annual appropriation, the City has agreed in the Lease that to the extent Rentals and Additional Rentals are insufficient to provide the Corporation and the Trustee with funds sufficient to pay the foregoing, the City will pay as Additional Rentals, upon demand therefor, such further sums of money as may be required from time to time for such purposes.

Under the Lease, the City has covenanted and agreed that the City's budget director, or any other officer at any time charged with the responsibility of formulating budget proposals, is directed to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen of the City, in any year during the Lease Term, a request or requests for the Rentals and a reasonable estimate of Additional Rentals. Requests for appropriations are required to be made in each Fiscal Year so that the Rentals and a reasonable estimate of Additional Rentals to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the City that the decision to appropriate the Rentals and Additional Rentals for the Leased Property pursuant to the Lease shall be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects to appropriate, in each Fiscal Year of the City during the Lease Term, funds for the City to provide financing in an amount sufficient to pay principal of, redemption premium, if any, and interest, on the Bonds. Upon such appropriation, the Rentals and reasonably estimated Additional Rentals will be available for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease.

Budget Process

Each Fiscal Year, 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. The Board of Estimate and Apportionment is made up of the Mayor, the Comptroller, and the President of the Board of Aldermen of the City.

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

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

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute or for the payment of principal 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. Increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See **"GENERAL REVENUE RECEIPTS -- The Hancock Amendment"** set forth in **Appendix A** hereto.

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

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

Except with respect to the general appropriation bill and bills providing for the payment of principal 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.

Funds Created

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

(a) the Public Safety Sales Tax Leasehold Revenue Bonds Debt Service Fund, including a separate and distinct account to be designated the **"Series 2008A Debt Service Account";** and the Juvenile Detention Center Leasehold Revenue Bonds Debt Service Fund, including a separate and distinct account to be designated the **"Series 2008B Debt Service Account"** (collectively, the **"Debt Service Fund"**);

(b) the Public Safety Sales Tax Leasehold Revenue Bonds Debt Service Reserve Fund, including a separate and distinct account to be designated the **"Series 2008A Reserve Account";** and the Juvenile Detention Center Leasehold Revenue Bonds Debt Service Fund, including a separate and distinct fund to be designated the **"Series 2008B Reserve Account"** (collectively, the **"Debt Service Reserve Fund"**);

(c) the Public Safety Sales Tax Leasehold Revenue Bonds Project Fund, including separate and distinct accounts to be designated the **"Series 2008A Pension Funding Project Account"**, and the **"Series 2008 Cost of Issuance Account"** and the Juvenile Detention Center Leasehold Revenue Bonds Project Fund, including a separate and distinct account to be designated the **"Series 2008B Improvements Account"** (collectively, the **"Project Fund"**); and

(d) the Rebate Fund.

The proceeds of the Series 2008 Bonds deposited in the above funds and accounts shall be held by the Trustee and shall be applied in accordance with the provisions of the Indenture and the Lease.

Debt Service Fund

The Corporation has authorized the Trustee to withdraw sufficient funds from the Debt Service Fund to pay the principal of, and redemption premium, if any, and interest on the Bonds as the same become due and payable. Whenever the amounts in the Debt Service Fund are sufficient to redeem all of the Bonds Outstanding and pay interest to accrue thereon prior to such redemption, the Corporation, upon the direction and instruction of the City, shall take and cause to be taken the necessary steps to redeem all such Bonds. Except as otherwise provided in the Indenture, any moneys in the Debt Service Fund may be used to redeem a portion of the Bonds Outstanding so long as the City is not in default with respect to any payments under the Lease and to the extent said moneys exceed the amount required (i) for payment of Bonds theretofore matured or called for redemption, and (ii) for payment of any past due interest remaining unpaid.

Project Fund

Moneys on deposit in the Series 2008A Pension Funding Project Account shall be expended by the Trustee for purposes of funding the Pension Funding Project. Moneys on deposit in the Series 2008B Improvements Account shall be expended in accordance with the Lease to pay the costs of the Improvements. Moneys on deposit in the Series 2008 Costs Issuance Account shall be expended by the Trustee for the purpose of paying the costs and expenses of issuing and securing the Series 2008 Bonds, including, without limitation, printing expenses, rating agency fees, recording and filing fees, Trustee's and depository's fees and expenses, fees and expenses incurred or to be incurred by or on behalf of the Corporation or the City in connection with or incident to the issuance, sale, and delivery of the Series 2008 Bonds.

Additional Bonds

So long as no event has occurred and is continuing which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event), Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the Series 2008 Bonds and any other Outstanding Bonds with the prior written consent of the Credit Facility Provider, at any time and from time to time, upon compliance with the conditions provided in the Indenture, for the following purposes:

(i) paying the Costs of the Pension Funding Project, such cost to be evidenced by a certificate signed by a City Representative and a Corporation Representative, and any expenses in connection with the issuance of such Additional Bonds; or

(ii) providing funds for refunding all or any part of the Bonds then Outstanding of any Series, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding.

No Pledge of Retirement System Assets

THE ASSETS OF THE RETIREMENT SYSTEMS WILL NOT SECURE OR BE AVAILABLE TO PAY THE SERIES 2008 BONDS.

No Pledge of Sales Tax Revenues

THE PUBLIC SAFETY SALES TAX REVENUES ARE NOT PLEDGED OR OTHERWISE COMMITTED TO PAY DEBT SERVICE ON THE SERIES 2008A BONDS AND MAY NOT BE PLEDGED, COMMITTED OR OTHERWISE USED TO PAY DEBT SERVICE ON THE SERIES 2008B BONDS.

CREDIT PROVIDER

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

The following information has been furnished by the Credit Provider for use in this Official Statement. No representation is made by the Corporation, the City or the Underwriters as to the accuracy or completeness of the information. The following information is not complete and reference is made to Appendix F for a specimen of the Bond Insurance Policy.

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

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

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty

As of March 31, 2008, Assured Guaranty had total admitted assets of $1,518,398,730 (unaudited), total liabilities of $1,138,285,708 (unaudited), total surplus of $380,113,022 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,001,533,924 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("**GAAP**") in making such determinations.

Incorporation of Certain Documents by Reference

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

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 29, 2008);

- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

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

Any statement contained in a document incorporated herein by reference or contained herein under the heading **"CREDIT PROVIDER"** shall be modified or superseded for purposes of this Official

Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

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

BOND INSURANCE

The following information has been furnished by the Credit Provider for use in this Official Statement. No representation is made by the Corporation, the City or the Underwriters as to the accuracy or completeness of the information. The following information is not complete and reference is made to Appendix F for a specimen of the Bond Insurance Policy.

The Bond Insurance Policy

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

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

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

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Bond Insurance Policy. **Assured Guaranty shall be fully subrogated to the rights of the Holders of the Series 2008 Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Bond Insurance Policy.**

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

Payment Procedure Under the Bond Insurance Policy

At least two (2) Business Days prior to each Payment Date for the Series 2008 Bonds, the Trustee will determine whether there will be sufficient funds to pay all principal of and interest on the Series 2008 Bonds due on the related Payment Date and shall immediately notify the Credit Provider or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the Series 2008 Bonds to which such deficiency is applicable and whether such Series 2008 Bonds will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Credit Provider or its designee.

The Trustee shall, after giving notice to the Credit Provider as described above, make available to the Credit Provider and, at the Credit Provider's direction, to any fiscal agent, the Bond Register maintained by the Trustee and all records relating to the funds maintained under the Indenture.

The Trustee shall provide the Credit Provider and any fiscal agent with a list of Registered Owners of Series 2008 Bonds entitled to receive principal or interest payments from the Credit Provider under the terms of the Bond Insurance Policy, and shall make arrangements with the checks or drafts to the Registered Owners of Series 2008 Bonds entitled to receive full or partial interest payments from the Credit Provider and (ii) pay principal upon Series 2008 Bonds surrendered to the Credit Provider, the Fiscal Agent or another designee of the Credit Provider by the Registered Owners of Series 2008 Bonds entitled to receive full or partial principal payments from the Credit Provider.

The Trustee shall, at the time it provides notice to the Credit Provider of any deficiency, notify each Registered Owner of any Series 2008 Bond entitled to receive the payment of principal or interest thereon from the Credit Provider (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that the Credit Provider will remit to it all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to the Credit Provider or any fiscal agent, in form satisfactory to the Credit Provider, of an appropriate assignment of such

Registered Owner's right to payment, (iii) that, if it is entitled to receive partial payment of principal from the Credit Provider, it must surrender the related Series 2008 Bond for payment first to the Trustee, which will note on such Series 2008 Bond the portion of the principal paid by the Trustee and second to the Credit Provider or its designee, together with an appropriate assignment, in form satisfactory to the Credit Provider, to permit ownership of such Series 2008 Bond to be registered in the name of the Credit Provider, which will then pay the unpaid portion of principal, and (iv) that, if such Registered Owner is entitled to receive full payment of principal from the Credit Provider or its designee, rather than the Trustee, together with an appropriate assignment, in form satisfactory to the Credit Provider, to permit ownership of such Series 2008 Bond to be registered in the name of the Credit Provider.

Payments with respect to claims for interest on and principal of Series 2008 Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Corporation with respect to such Series 2008 Bonds, and the Credit Provider shall become the Owner of such unpaid Series 2008 Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the Indenture.

The Credit Provider shall, to the extent it makes any payment of principal of or interest on the Series 2008 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of claims for interest, the Trustee shall note the Credit Provider's rights as subrogee on the Bond Register maintained by the Trustee, upon receipt of proof of payment of interest thereon to the Registered Owners of the Series 2008 Bonds, and (ii) in the case of claims for principal, if any, the Trustee shall note the Credit Provider's rights as subrogee on the Bond Register maintained by the Trustee, upon surrender of the Series 2008 Bonds together with receipt of proof of payment of principal thereof.

RESERVE FUND INSURANCE POLICY

Assured Guaranty has made a commitment to issue a financial guaranty insurance policy for the reserve fund with respect to the Series 2008 Bonds (the "**Reserve Policy**"), effective as of the date of issuance of such Series 2008 Bonds. Under the terms of the Reserve Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Series 2008 Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Corporation (the "**Insured Payments**").

Assured Guaranty will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Corporation to the Trustee or Paying Agent, as beneficiary of the Reserve Policy on behalf of the holders of the Series 2008 Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which Assured Guaranty receives a demand for payment therefor in accordance with the terms of the Reserve Policy.

No payment shall be made under the Reserve Policy in excess of $3,493,000 (the "**Reserve Policy Limit**"). Pursuant to the terms of the Reserve Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by Assured Guaranty under the Reserve Policy, provided, that, to the extent of the reimbursement of such payment to Assured Guaranty, the amount available under the Reserve Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Policy Limit.

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

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

THE SERIES 2008 BONDS

General

The Series 2008 Bonds will be issued in denominations of $5,000 or any integral multiple thereof, will be dated their date of delivery, and will bear interest on a current basis from that date, payable beginning December 1, 2008, and semi-annually thereafter on each June 1 and December 1, at the rates and will mature on June 1 in the years set forth on the inside cover page hereof.

The Series 2008 Bonds shall be subject to optional redemption, mandatory redemption and extraordinary redemption prior to maturity as more fully described below.

Interest on the Series 2008 Bonds will be payable by check or draft mailed to each registered owner in whose name any Series 2008 Bond is registered as of the close of business on the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding the applicable interest payment date (the **"Record Date"**). Upon the written request delivered to the Trustee at least five (5) days prior to a Record Date next preceding an interest payment date by any holder of at least $1,000,000 principal amount of Series 2008 Bonds, payment of principal and interest to such holder will be made by electronic transfer to an account designated by such Holder, such written notice to include the name and ABA routing number of the bank to which such transfer is to be made.

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

Optional Redemption

The Series 2008A Bonds are not subject to optional redemption prior to Stated Maturity.

The Series 2008B Bonds maturing on and after June 1, 2019, shall be subject to redemption and payment prior to maturity, at the option of the Corporation, which shall be exercised upon the directions of and instructions from the City, on and after June 1, 2018, in whole at any time or in part on any Interest Payment Date, at redemption prices equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption

Series 2008A Bonds

The Series 2008A Bonds maturing in the year 2019 shall be subject to mandatory sinking fund redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements of the Indenture on June 1, 2015, at the Redemption Price of 100% of the principal amount so redeemed, plus accrued interest thereon to the Redemption Date, except that the principal amount of the Series 2008A Bonds to be redeemed on such Redemption Date will be reduced by a pro rata portion of the principal amount of any Series 2008A Bonds that have been purchased by the Trustee and cancelled by the Trustee at least 45 days before the Redemption Date.

The Rentals to be paid by the City under the Lease shall be sufficient to redeem, and the

Corporation shall redeem, on June 1 of the following years, the following principal amounts of such Series 2008A Bonds:

$10,255,000 TERM BOND MATURING JUNE 1, 2019

REDEMPTION DATE JUNE 1	PRINCIPAL AMOUNT
2015	$1,825,000
2016	1,930,000
2017	2,045,000
2018	2,165,000
2019†	2,290,000

† Final Maturity.

The Series 2008B Bonds maturing in the years 2025, 2028 and 2038 shall be subject to mandatory sinking fund redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements of the Indenture on June 1, 2023, June 1, 2026 and June 1, 2029, respectively, at the Redemption Price of 100% of the principal amount so redeemed, plus accrued interest thereon to the Redemption Date, except that the principal amount of such Series 2008B Bonds to be redeemed on such Redemption Date will be reduced by a *pro rata* portion of the principal amount of such Series 2008B Bonds that have been purchased by the Trustee and cancelled by the Trustee, or optionally redeemed as described above, at least 45 days before the Redemption Date.

The Rentals to be paid by the City under the Lease shall be sufficient to redeem, and the Corporation shall redeem, on June 1 of the following years, the following principal amounts of the Series 2008B Bonds:

$2,410,000 TERM BOND MATURING JUNE 1, 2025

REDEMPTION DATE JUNE 1	PRINCIPAL AMOUNT
2023	$770,000
2024	805,000
2025†	835,000

$2,740,000 TERM BOND MATURING JUNE 1, 2028

REDEMPTION DATE JUNE 1	PRINCIPAL AMOUNT
2026	$875,000
2027	910,000
2028†	955,000

$12,235,000 TERM BOND MATURING JUNE 1, 2038

REDEMPTION DATE JUNE 1	PRINCIPAL AMOUNT
2029	$ 995,000
2030	1,040,000
2031	1,090,000
2032	1,135,000
2033	1,190,000
2034	1,240,000
2035	1,295,000
2036	1,355,000
2037	1,415,000
2038†	1,480,000

†Final Maturity.

Extraordinary Redemption

The Series 2008 Bonds shall be subject to extraordinary redemption and payment prior to their respective Stated Maturities by the Corporation, at the option of and upon direction and instructions from the City, on any date, upon the occurrence of any of the following conditions or events, provided all of the Series 2008 Bonds are redeemed and paid according to their terms:

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

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

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

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

The Series 2008 Bonds redeemed in connection with the occurrence of any of the conditions or events described above shall be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date without premium.

Selection of Series 2008 Bonds to be Redeemed

In the case of a partial redemption of Bonds of the same Series, the Bonds to be redeemed shall be selected by the Corporation, upon the direction and instruction of the City, from the Outstanding Bonds of that Series. Whenever less than all of the Bonds of a particular maturity are to be redeemed, the

Trustee shall select the particular Bonds to be redeemed by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Outstanding Bonds of a denomination larger than $5,000.

Notice and Effect of Call for Redemption

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

Notice of the redemption of Bonds, other than any mandatory sinking fund redemption and except with respect to any notice which refers to Bonds which are the subject of an advance refunding, shall be given only if sufficient funds have been deposited with the Trustee to pay the redemption price of the Bonds to be redeemed (unless the written request of the Corporation directs that such notice shall state that the redemptions shall be made only to the extent there are funds available therefor).

Prior to any date fixed for redemption, there shall be deposited with the Trustee funds, or Defeasance Obligations, maturing as to principal and interest at such times and in such amounts as to provide funds sufficient, to pay the principal of Bonds to be called for redemption and accrued interest thereon on the Redemption Date and the redemption premium, if any, provided, however, the requirements for such deposit need not be met to the extent such redemption is to be made with the proceeds of Additional Bonds to be issued to refund all or a portion of the Bonds to be redeemed.

Upon the happening of the above conditions, and notice having been given as provided in the Indenture, the Bonds or the portions of the principal amount of Bonds thus called for redemption shall cease to bear interest on their Redemption Date, provided funds or Defeasance Obligations sufficient for the payment of principal of, and redemption premium, if any, and accrued interest on such Bonds are on deposit at the place of payment at that time, and shall no longer be entitled to the protection, benefit, or security of this Indenture and shall not be deemed to be Outstanding under the Indenture.

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Registration, Transfer and Exchange

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

In all cases in which Bonds are exchanged or transferred, the Corporation shall execute and the Trustee shall authenticate and deliver at the earliest practicable time Bonds in accordance with the Indenture. All Bonds surrendered in any such exchange or transfer shall forthwith be cancelled by the Trustee. No service charge shall be made to any Bondholder for registration, transfer, or exchange of Bonds, but the Corporation or the Trustee may impose a charge for every such exchange or transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, and such charge shall be paid before any such transfer or exchange is completed. In the event any Registered Owner fails to provide a certified taxpayer identification number to the Trustee, the Trustee may impose a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with the Code (as defined herein), such amount may be deducted by the Trustee from amounts otherwise payable to such Registered Owner under the Indenture or under the Bonds.

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

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Book-Entry Only System

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

So long as the Nominee is the registered owner of the Series 2008 Bonds, payments of the principal of and premium, if any, and interest on the Series 2008 Bonds will be made by the Trustee directly to such Nominee. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments by the DTC Participants to the beneficial owners of the Series 2008 Bonds is the responsibility of the DTC Participants. See **Appendix E – "BOOK-ENTRY, CLEARANCE AND SETTLEMENT PROCEDURES."**

ESTIMATED SOURCES AND USES OF FUNDS

	Series 2008A Bonds	**Series 2008B Bonds**	**Series 2008 Bonds (Aggregate)**
Sources of Funds:			
Par Amount of the Bonds	$19,445,000	$25,555,000	$45,000,000
(Net Original Issue Discount)	0	(440,987)	(440,987)
TOTAL SOURCES OF FUNDS	$19,445,000	$25,114,013	$44,559,013
Use of Funds:			
Deposit to Series 2008A Pension Funding Project Account	$18,800,000	$ 0	$18,800,000
Deposit to Series 2008B Improvements Account	0	24,210,000	24,210,000
Deposit to Series 2008 Costs of Issuance Account(1)	645,000	904,013	1,549,013
TOTAL USES OF FUNDS	$19,445,000	$25,114,013	$44,559,013

(1) Includes underwriting discount, financial guaranty insurance policy, reserve fund financial guaranty insurance policy and other costs of issuance associated with the Series 2008 Bonds.

DEBT SERVICE REQUIREMENTS FOR THE SERIES 2008 BONDS

Series 2008A Bonds

The following table shows the annual debt service of the Corporation for the Series 2008A Bonds for the Fiscal Years set forth below:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2009	$1,275,000	$1,000,104.15	$2,275,104.15
2010	1,445,000	982,844.56	2,427,844.56
2011	1,505,000	921,778.86	2,426,778.86
2012	1,575,000	850,998.70	2,425,998.70
2013	1,655,000	773,776.46	2,428,776.46
2014	1,735,000	690,976.80	2,425,976.80
2015	1,825,000	600,635.36	2,425,635.36
2016	1,930,000	493,745.10	2,423,745.10
2017	2,045,000	380,705.00	2,425,705.00
2018	2,165,000	260,929.36	2,425,929.36
2019	2,290,000	134,125.30	2,424,125.30
Total	**$19,445,000**	**$7,090,619.65**	**$26,535,619.65**

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Series 2008B Bonds

The following table shows the annual debt service of the Corporation for the Series 2008B Bonds for the Fiscal Years set forth below**:**

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2009	$ 475,000	$1,069,394.17	$1,544,394.17
2010	465,000	1,084,100.00	1,549,100.00
2011	480,000	1,065,500.00	1,545,500.00
2012	500,000	1,046,300.00	1,546,300.00
2013	520,000	1,026,300.00	1,546,300.00
2014	540,000	1,005,500.00	1,545,500.00
2015	565,000	983,900.00	1,548,900.00
2016	585,000	961,300.00	1,546,300.00
2017	610,000	937,900.00	1,547,900.00
2018	635,000	913,500.00	1,548,500.00
2019	660,000	888,100.00	1,548,100.00
2020	685,000	861,700.00	1,546,700.00
2021	710,000	834,300.00	1,544,300.00
2022	740,000	805,900.00	1,545,900.00
2023	770,000	776,300.00	1,546,300.00
2024	805,000	743,575.00	1,548,575.00
2025	835,000	709,362.50	1,544,362.50
2026	875,000	673,875.00	1,548,875.00
2027	910,000	634,500.00	1,544,500.00
2028	955,000	593,550.00	1,548,550.00
2029	995,000	550,575.00	1,545,575.00
2030	1,040,000	505,800.00	1,545,800.00
2031	1,090,000	459,000.00	1,549,000.00
2032	1,135,000	409,950.00	1,544,950.00
2033	1,190,000	358,875.00	1,548,875.00
2034	1,240,000	305,325.00	1,545,325.00
2035	1,295,000	249,525.00	1,544,525.00
2036	1,355,000	191,250.00	1,546,250.00
2037	1,415,000	130,275.00	1,545,275.00
2038	1,480,000	66,600.00	1,546,600.00
Total	**$25,555,000**	**$20,842,031.67**	**$46,397,031.67**

Series 2008 Bonds

The following table shows the aggregate debt service of the Corporation for the Series 2008 Bonds for the Fiscal Years set forth below:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2009	$1,750,000	$2,069,498.32	$3,819,498.32
2010	1,910,000	2,066,944.56	3,976,944.56
2011	1,985,000	1,987,278.86	3,972,278.86
2012	2,075,000	1,897,298.70	3,972,298.70
2013	2,175,000	1,800,076.46	3,975,076.46
2014	2,275,000	1,696,476.80	3,971,476.80
2015	2,390,000	1,584,535.36	3,974,535.36
2016	2,515,000	1,455,045.10	3,970,045.10
2017	2,655,000	1,318,605.00	3,973,605.00
2018	2,800,000	1,174,429.36	3,974,429.36
2019	2,950,000	1,022,225.30	3,972,225.30
2020	685,000	861,700.00	1,546,700.00
2021	710,000	834,300.00	1,544,300.00
2022	740,000	805,900.00	1,545,900.00
2023	770,000	776,300.00	1,546,300.00
2024	805,000	743,575.00	1,548,575.00
2025	835,000	709,362.50	1,544,362.50
2026	875,000	673,875.00	1,548,875.00
2027	910,000	634,500.00	1,544,500.00
2028	955,000	593,550.00	1,548,550.00
2029	995,000	550,575.00	1,545,575.00
2030	1,040,000	505,800.00	1,545,800.00
2031	1,090,000	459,000.00	1,549,000.00
2032	1,135,000	409,950.00	1,544,950.00
2033	1,190,000	358,875.00	1,548,875.00
2034	1,240,000	305,325.00	1,545,325.00
2035	1,295,000	249,525.00	1,544,525.00
2036	1,355,000	191,250.00	1,546,250.00
2037	1,415,000	130,275.00	1,545,275.00
2038	1,480,000	66,600.00	1,546,600.00
Total	**$45,000,000**	**$27,932,651.32**	**$72,932,651.32**

BONDHOLDERS' RISKS

The Series 2008 Bonds involve certain risks, and the discussion below should be reviewed in evaluating these risks. The Series 2008 Bonds may not be suitable investments for all persons, and prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2008 Bonds and should confer with their own legal and financial advisors. The following discussion of risk factors is not intended to be exhaustive.

General

The Series 2008 Bonds are limited obligations of the Corporation, payable solely out of the Rentals, Additional Rentals and certain other revenues, moneys and receipts derived by the Corporation from leasing of the Leased Property to the City pursuant to the Lease. The Corporation has no taxing power, the Series 2008 Bonds and the interest thereon are not a debt of the City or the State or any instrumentality thereof and neither the City nor the State or any instrumentality thereof is liable thereon, and the Series 2008 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Event of Non-Appropriation

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

No Restrictions on Use of Leased Property After Default Under Lease

If an Event of Default occurs for any reason with respect to the City under the Lease or if the City terminates the Lease and fails to exercise its option to purchase the Corporation's interests in the Leased Property, the Corporation has the right to possession of the Leased Property for the remainder of the Base Lease Term and may sublease the Leased Property or sell its interests in the Base Lease or the Leased Property upon whatever terms and conditions it deems prudent, subject to the Leasehold Deed of Trust.

Certain Matters Relating to Enforceability

The remedies available upon a default under the Indenture, the Leasehold Deed of Trust and the Lease will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and State laws concerning the use of assets of certain organizations, the remedies specified in the Indenture, the Leasehold Deed of Trust, and the Lease may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2008 Bonds will be expressly subject to the qualification that the enforceability of the Indenture, the Leasehold Deed of Trust, and the Lease and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

Organization, Powers and Purposes

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

Board of Directors/Officers

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

1) The Mayor of the City or designee.

2) The Comptroller of the City or designee.

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

4) The City Counselor of the City or designee.

5) The Budget Director of the City or designee.

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

FINANCIAL STATEMENTS

The audited financial statements of the City and the related report of the City's independent certified public accountants for the Fiscal Year ended June 30, 2007, are included in **Appendix B** hereto. Pursuant to its customary practice, the City did not request the consent of the accountants to inclusion of their report in **Appendix B** and such consent was not required. The City's independent public accountants have not audited any financial statements of the City for any period subsequent to June 30, 2007, and have not conducted any procedures with respect to the Fiscal Year 2007 financial statements subsequent to their audit.

RATINGS

Moody's Investors Service (**"Moody's"**), Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. (**"S&P"**) and Fitch Ratings (**"Fitch"**) are expected to assign ratings of "Aaa", "AAA" and "AAA", respectively to the Series 2008 Bonds, with the understanding that, upon

delivery of the Series 2008 Bonds, a financial guaranty insurance policy will be issued by the Credit Provider. In addition, Moody's, S&P and Fitch have assigned their underlying ratings of "A3", "A" and "A-", respectively, to the Series 2008 Bonds.

Such ratings reflect only the view of such organizations and any desired explanation of the significance of the ratings should be obtained from the respective rating agencies. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2008 Bonds.

LITIGATION

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

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

Zoological Subdistrict, et al. v. Employees' Retirement System, City of St. Louis Circuit Court, Cause No. 0722-CC07132. The Zoological Subdistrict (the **"Subdistrict"**) filed suit, originally only against the Board of Trustees of The City Employees Retirement System (**"ERS"**), for declaratory judgment and breach of fiduciary duty. The Subdistrict participates as an employer in ERS. This suit claims that when ERS sent its annual certifications to various employers who participate in ERS for the percentage of payroll to be contributed for the next fiscal year, for several years the City failed to make the full amount of contributions certified. As a result, the suit alleges, because of the shortfall in the City's payments, the actuarial certification for all participants in the ERS increased in each subsequent year. Essentially, the suit alleges that the burden of contribution has been disproportionately placed on the Subdistrict. ERS recently filed an answer and counterclaim. ERS, through its attorneys, advised the Subdistrict that other employers who participate in ERS should have been made additional parties to the suit because they will be affected by it. The Subdistrict has sent correspondence to those other employers inquiring whether they would object to being joined as parties to the litigation. The Subdistrict has added the City as a defendant as an "affected party" for purposes of declaratory judgment, but has not alleged any theory of liability against it. See **Appendix A – "INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI – LITIGATION – Zoological Subdistrict, et. al. v. Employees Retirement System"** for more information.

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

litigation, investigation or proceeding is now pending or, to the knowledge of the City, threatened against the City which would in any manner challenge or adversely affect the corporate existence or powers of the City to enter into and carry out the transactions described in or contemplated by, the execution, delivery, validity or performance by the City of the Base Lease and the Lease. See **Appendix A – "INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI"** for a more detailed discussion.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2008 Bonds and with regard to the tax status of the Series 2008 Bonds are subject to the approving legal opinions of Armstrong Teasdale LLP, St. Louis, Missouri, and Saulsberry & Associates, LLC, St. Louis, Missouri, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2008 Bonds. The expected form of the opinions of Co-Bond Counsel is attached as **Appendix D** hereto. Certain legal matters will be passed upon for the Corporation and for the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Lewis & Munday, A Professional Corporation, Detroit, Michigan, and Gallop, Johnson & Neuman L.C., St. Louis, Missouri.

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

ERISA CONSIDERATIONS

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

Section 406 of the Employee Retirement Income Security Act of 1974, as amended (**"ERISA"**) and Section 4975 of the Internal Revenue Code of 1986, as amended (the **"Code"**) require that "employee benefit plans," as defined in Section 3(3) of ERISA, and "plans," as defined in Section 4975(e)(1) of the Code (**"Plans"**), refrain from engaging in certain "prohibited transactions" with persons that are "parties in interest," as defined in Section 3(14) of ERISA, or "disqualified persons," as defined in Section 4975(e)(2) of the Code, with respect to Plans. In addition, ERISA also prohibits fiduciaries of Plans from engaging in certain transactions with respect to the Plans. Section 404 of ERISA also imposes certain duties on fiduciaries of Plans that are subject to ERISA ("fiduciary duties"). Under ERISA, any person who: (i) exercises discretionary authority or control over management of a Plan or exercises authority or control over management or disposition of Plan assets; (ii) renders investment advice in exchange for a fee in connection with Plan assets, or has any authority or responsibility to do so; or (iii) possesses discretionary authority or responsibility in the administration of such Plan, is generally considered to be a fiduciary of such Plan (subject to certain exceptions). A violation of "prohibited transaction" rules or the "fiduciary duty" requirements may generate excise taxes and other liabilities under ERISA and the Code for parties in interest, disqualified persons, and fiduciaries.

The Underwriters, as a result of their own activities or because of the activities of an affiliate, may be considered "parties in interest" or "fiduciaries" under ERISA or "disqualified persons" under the Code with respect to certain Plans. Prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Series 2008 Bonds are acquired by a Plan with respect to which any of the Underwriters, or any of their respective affiliates, is a "party in interest," a "disqualified person," or a "fiduciary."

Section 408 of ERISA and Section 4975(d) of the Code provide certain exemptions from the prohibited transaction rules, depending upon the type of Plan fiduciary making the decision to acquire a Series 2008 Bond and the circumstances surrounding such decision. Included among these exemptions are securities purchased during an underwriting period; investments by insurance company pooled separate accounts; investments by insurance company general accounts; investments by bank collective investment funds; transactions effected by a "qualified professional asset manager"; and transactions effected by an "in-house asset manager." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief may not exempt all acts. In order to ensure that no prohibited transaction under ERISA or the Code will take place in connection with the acquisition of a Series 2008 Bond by or on behalf of a Plan, each prospective purchaser of a Series 2008 Bond who is a Plan or is acquiring on behalf of a Plan will be deemed to represent that either (i) no prohibited transactions under ERISA and the Code will occur in connection with the acquisition of the Series 2008 Bond or (ii) the acquisition of the Series 2008 Bond is subject to a statutory or administrative exemption.

Any Plan fiduciary proposing to cause a Plan to purchase Series 2008 Bonds should consult with its counsel and tax advisor concerning the potential applicability of ERISA and the Code to such investments and whether any exemption applies in order to determine on its own whether all conditions for the exemption have been satisfied. In addition, each Plan fiduciary should determine on its own whether an investment in the Series 2008 Bonds would comply with its fiduciary duties to the Plan, including the fiduciary's duties of investment prudence and diversification, taking into account the overall investment policy of the Plan, the composition of the Plan's investment portfolio, and all other relevant considerations with respect to the Plan.

TAX MATTERS

General

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

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

Series 2008A Bonds

Federal Income Tax Consequences of Owning Series 2008A Bonds

In the opinion of Co-Bond Counsel, interest and, any original issue discount (**"OID"**) on the Series 2008A Bonds are not excludable from gross income of the owners thereof for federal income tax purposes and are not exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, as amended. Interest on the Series 2008A Bonds may also be subject to state or local income taxes in jurisdictions other than the State of Missouri under applicable state or local tax laws. All purchasers of the Series 2008A Bonds should consult with their tax advisors regarding the tax status of interest on the Series 2008A Bonds in a particular state or local jurisdiction other than the State of Missouri.

The following discussion is a summary of the principal United States federal and certain Missouri income tax consequences of the acquisition, ownership and disposition of the Series 2008A Bonds by original purchasers of the Series 2008A Bonds. This summary is based on the Code the treasury regulations promulgated thereunder, revenue rulings, and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Series 2008A Bonds will be held as "capital assets" under the Code, and it does not discuss all of the United States federal income tax consequences that may be relevant to an Owner of a Series 2008A Bond in light of the particular circumstances of such Owner or to any Owner subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2008A Bonds as a position in a "hedge" or "straddle" for United States federal income tax purposes, or Owners whose functional currency (as defined in Section 985 of the Code) is not the United States Dollar. Each prospective purchaser of the Series 2008A Bonds should consult with its own tax advisor concerning the United States federal income and other tax consequences to it of the acquisition, ownership and disposition of the Series 2008A Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term **"U.S. Bondholder"** means a beneficial owner of a Series 2008A Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust. As used herein, the term "Non-U.S. Bondholder" means a beneficial owner of a Series 2008A Bond that is not a U.S. Bondholder.

U.S. Bondholders – Disposition of Series 2008A Bonds

Except as discussed above, upon the sale, exchange or redemption of a Series 2008A Bond, a U.S. Bondholder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Bondholder's adjusted tax basis in the Series 2008A Bond. A. U.S. Bondholder's adjusted tax basis in a Series 2008A Bond generally will equal such U.S. Bondholder's initial investment in the Series 2008A Bond, increased by any OID included in the U.S. Bondholder's income with respect to the Series 2008A Bond and decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Series 2008A Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2008A Bond were held for more than one year.

Non-U.S. Bondholders

Under present United States federal income tax law, and subject to the discussion of backup withholding below:

(a) payments of interest (including any OID) on a Series 2008A Bond to any Non-U.S. Bondholder generally will not be subject to United States federal income or withholding tax, provided that (1) the Non-U.S. Bondholder is not (i) a foreign tax exempt organization or a foreign private foundation for United States federal income tax purposes or (ii) a bank receiving interest pursuant to a loan agreement entered into in the ordinary course of its trade or business, (2) such interest payments are not effectively connected with the conduct of a United States trade or business of the Non-U.S. Bondholder and (3) either (i) the beneficial owner of a Series 2008A Bond certifies to the Corporation or its agent, under penalties of perjury, that it is not a United States person and provides its name and address, or (ii) a securities clearing organization, bank or other financial institution which holds a customer's Series 2008A Bond in the ordinary course of its trade or business (a "Financial Institution") certifies to the Corporation or its agent, under penalties of perjury, that such statement has been received from the beneficial owner by it, or by another Financial Institution between it and the beneficial owner, and furnishes the payor with a copy thereof; and

(b) a Bondholder of a Series 2008A Bond who is a Non-U.S. Bondholder will not be subject to United States federal income tax on gain realized on the sale, exchange, retirement or other disposition of a Series 2008A Bond, unless (1) such Non-U.S. Bondholder is an individual who is present in the United States for 183 days or more during the taxable year and certain other requirements are met, or (2) the gain is effectively connected with the conduct of a United States trade or business of the Non-U.S. Bondholder.

The certification referred to above generally may be made on an IRS Form W-8 or substantially similar substitute form.

Backup Withholding and Information Reporting

U.S. Bondholders - In general, information reporting requirements will apply to non-corporate U.S. Bondholders with respect to payments of principal, payments of interest, and the accrual of any OID on a Series 2008A Bond and the proceeds of the sale of a Series 2008A Bond before maturity within the United States. Backup withholding at a rate of 28% will apply to such payments and to payments of any OID unless the U.S. Bondholder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Bondholder is not subject to back-up withholding and has not been notified by the IRS that it has failed to report all interest and dividends required to be shown on its United States federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitute over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the IRS.

Non-U.S. Bondholders - Under current law, information reporting and backup withholding will not apply to payments of principal and interest (including OID) made to a Non-U.S. Bondholder on a Series 2008A Bond, provided the certification described above in (a) under **"Non-U.S. Bondholders"** is received, and provided further that the payor does not have actual knowledge that the Bondholder is a United States person.

Payments of the proceeds from the sale by a Non-U.S. Bondholder of a Series 2008A Bond made to or through a foreign office of a broker will not be subject to information reporting or backup withholding,

except that if the broker is a United States person, a controlled foreign corporation for United States tax purposes or a foreign person 50% or more of whose gross income is effectively connected with a United States trade or business for a specified three-year period, information reporting may apply to such payments. Payments of the proceeds from the sale of a Series 2008A Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the Bondholder or beneficial owner certifies as to its non-United States status or otherwise establishes an exemption from information reporting and backup withholding.

Series 2008B Bonds

Federal Income Tax Consequences of Owning Series 2008B Bonds

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2008B Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Series 2008B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2008B Bonds. The Corporation has covenanted in the Indenture, and the Corporation and the City have covenanted in the Lease and the Tax Compliance Agreement, to comply with the applicable requirements of the Code in order to maintain the exclusion of interest on the Series 2008B Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation has made certain representations and certifications in the Indenture, and the Corporation and the City have made certain representations and certifications in the Lease and the Tax Compliance Agreement. Co-Bond Counsel will not independently verify the accuracy of those representations and certifications.

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

State Taxes Consequences of Owning Series 2008B Bonds

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

Original Issue Discount on Series 2008B Bond

Co-Bond Counsel is also of the opinion that, subject to the conditions set forth above, any original issue discount (as described below) in the selling price of any Series 2008B Bond sold in the initial offering to the public at a price less than the par amount thereof (hereinafter referred to as the ***"OID Bonds"***), to the extent properly allocable to each owner of such Series 2008B Bond, is excluded from

gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding the Underwriters and any intermediaries) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on the Series 2008B Bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals: (1) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (3) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the original issue discount rules and regulations for federal tax purposes require inclusion for state and local income tax purposes of an amount of interest on the OID Bonds as income, even though no corresponding cash interest payment is actually received during the tax year.

Original Issue Premium on Series 2008B Bonds

In the event any of the Series 2008B Bonds are offered at prices in excess of their principal amounts (collectively, the ***"Premium Bonds"***), an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Premium Bonds and with respect to state and local tax consequences of owning and disposing of such Premium Bonds.

Other Federal Tax Matters with Respect to Series 2008B Bonds

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

Interest paid on tax-exempt obligations such as the Series 2008B Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2008B Bonds may be subject to backup withholding if such interest is paid to a registered owner

that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

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

Changes in Federal Tax Law and Post Issuance Events with Respect to Series 2008B Bonds

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

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

FINANCIAL ADVISOR

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

INVESTMENT ADVISOR

Columbia Capital Management LLC (**"Columbia Capital"**) serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Indenture. Columbia Capital also provided other advice related to the investment of proceeds of the Series 2008 Bonds and funds invested in connection therewith. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

UNDERWRITING

General

Siebert Brandford Shank & Co., LLC and the other Underwriters, have agreed to purchase the

Series 2008 Bonds from the Corporation at the respective offering prices and yields set forth on the inside cover page of this Official Statement, at an aggregate purchase price of $44,136,547, (which amount constitutes the aggregate principal amount of the Series 2008 Bonds of $45,000,000, less net original issue discount on the Series 2008 Bonds of $440,987, less Underwriters' discount on the Series 2008 Bonds of $422,466), pursuant to a Bond Purchase Agreement with the Corporation and the City (the **"Bond Purchase Agreement"**). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2008 Bonds if any are purchased.

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

Global Plan of Distribution

The Series 2008 Bonds are offered by the Underwriters for sale in those jurisdictions where it is lawful to make such offers. Each Underwriter has undertaken that it will not offer, sell, or deliver, directly or indirectly, any of the Series 2008 Bonds or distribute this Official Statement or any other material relating to the Series 2008 Bonds in or from any jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with the applicable laws and regulations thereof and not impose any obligations on the City or the Corporation except as contained in the Bond Purchase Agreement among the City, the Corporation and the Underwriters. Persons who receive this Official Statement are required to comply with all applicable laws and regulations in each jurisdiction in which they purchase, offer, sell, or deliver the Series 2008 Bonds or have in their possession, distribute, or publish any offering material relating to the Series 2008 Bonds in all cases at their own expense.

Reference Information about the Series 2008 Bonds

The table on the inside cover of this Official Statement provides information about the Series 2008 Bonds. The CUSIP numbers for each maturity have been obtained from sources the City and the Corporation believe to be reliable, but the City, the Corporation, the Trustee and the Underwriters are not responsible for the correctness of the CUSIP numbers or other identifying numbers assigned to the Series 2008 Bonds. The Underwriters have provided the reoffering yields and prices. The yield at issuance is the yield to maturity.

CREDIT PROVIDER

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

TRUSTEE

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

CERTAIN RELATIONSHIPS

Armstrong Teasdale LLP, St. Louis, Missouri, and Saulsberry & Associates, LLC, St. Louis, Missouri are serving as Co-Bond Counsel with respect to the issuance of the Series 2008 Bonds. Each firm also represents the City, certain of the Underwriters and the Trustee from time to time on other transactions or matters. Lewis & Munday, A Professional Corporation, Detroit, Michigan and Gallop, Johnson & Neuman, St. Louis, Missouri, are serving as co-counsel to the Underwriters in connection with

the issuance of the Series 2008 Bonds, and each firm also represents the City from time to time on other transactions or matters.

CONTINUING DISCLOSURE

All references herein to the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents. The definitive form of the Continuing Disclosure Agreement may be reviewed prior to the delivery of the Series 2008 Bonds at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis Missouri 63103, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request. Following delivery of the Series 2008 Bonds, copies of such document may be reviewed at the office of the Trustee, UMB Bank, N.A., 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490.

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

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

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

The Annual Report will contain or include by reference:

(1) The audited financial statements of the City for the most recently ended Fiscal Year prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board, or if such audited financial statements are not then available, the Annual Report shall contain unaudited financial statements of the City for the most recent Fiscal Year and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(2) Financial information and operating data of the type included in the Official Statement under the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS" and "LITIGATION" and in the tables in APPENDIX A under the captions "ECONOMIC AND DEMOGRAPHIC DATA--Population and Other Statistics," "ECONOMIC AND DEMOGRAPHIC DATA--Employment," "ECONOMIC AND DEMOGRAPHIC DATA--Economic Development," "ECONOMIC AND DEMOGRAPHIC DATA-Major Employers," "ECONOMIC AND DEMOGRAPHIC DATA-Budget and Construction Data," "EMPLOYEES AND EMPLOYEE

RELATIONS," and "RETIREMENT SYSTEMS."

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

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

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

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

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Underwriter, or the owners of at least 25% aggregate principal amount of outstanding Series 2008 Bonds, shall), or any owner or beneficial owner of Series 2008 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between or among the Corporation, the City and the purchasers or holders of any of the Series 2008 Bonds. Any statement made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities the Corporation.

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.

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This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Series 2008 Bonds, have been approved and authorized by the Corporation and the City.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

By: _____
Ivy Neyland-Pinkston, President

THE CITY OF ST. LOUIS, MISSOURI

By: _____
Francis G. Slay, Mayor

By: _____
Darlene Green, Comptroller

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APPENDIX A

INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI

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 tallest man-made monument in the United States, which is the focal point of the 86-acre Jefferson National Expansion Memorial located on the downtown riverfront.

Government

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

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

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

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

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

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen. For more detailed information regarding the responsibilities of the Board of

Estimate and Apportionment, see "FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS -- Budget Process" herein.

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

MUNICIPAL SERVICES

General

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

Water and Sewer/Transportation

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

Fire Protection

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

Education

The public school systems within the City are operated under the administration and control of The School District of the City of St. Louis (the “School District”) and The Junior College District of St. Louis and St. Louis County (the “Junior College District”). The School District and the Junior College District are independent of the City and have their own elected or appointed officials, budgets and administrators. Each of the School District and the Junior College District is empowered to levy taxes, separate and distinct from those levied by the City, sufficient to finance the operations of its respective public school system within the respective jurisdictions. The School District has historically been operated by the St. Louis Board of Education (the “School Board”).

Under state law, the State Board of Education (the “State Board”) has the authority to accredit public school districts and the authority to intervene in the governance thereof through the creation of a "transitional school district." State law also authorizes the creation of a three-person governing board to replace the School Board, with the Missouri governor, the Mayor of St. Louis, and the President of the Board of Aldermen each appointing one person to such governing board. Upon the recommendation of the Department of Elementary and Secondary Education, the State Board voted to remove the

accreditation of the School District effective June 15, 2007. As a result, the Special Administrative Board of the Transitional School District of the City of St. Louis (the "Special Board") was created. The School Board has appealed the State Board's decision to the Cole County Circuit Court. The Special Board will continue to operate the St. Louis Public Schools while the appeal is pending.

Medical

Historically, the City has provided health care services for indigent citizens of the City at public clinics and hospitals. More recently, however, the City has entered into contracts with private third parties to provide such services. Saint Louis ConnectCare, Inc. ("ConnectCare") was formed as a nonprofit corporation in 1997 to provide health care services for indigent citizens of the City. A portion of local use tax revenues are earmarked for providing health care services. Pursuant to annual agreements between the City and ConnectCare adopted each Fiscal Year, the City has contributed $5 million annually for health services. In Fiscal Year 2008, the City expects to make $5 million in payments to ConnectCare.

Local Governmental Commissions and Agencies

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

Police

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

Transit

The Bi-State Development Agency is a body corporate and politic established by a compact between the states of Missouri and Illinois and approved by an Act of Congress. Since February 1, 2003, the Bi-State Development Agency has been doing business under the name of "Metro". Metro has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, the St. Louis County and certain Illinois counties within the St. Louis Metropolitan Area. Currently, there is a special 1/2 cent sales tax authorized by the State and assessed by the City and St. Louis County that is primarily used to pay a portion of the costs of the bus transportation system of Metro. In August 1994, an additional 1/4 cent sales tax was approved by the voters for the expansion of the MetroLink system, a transportation system within the City, St. Louis County, East St. Louis and Belleville, Illinois. Metro operates the MetroLink system between Belleville, Illinois and the Lambert Airport and between the Forest Park station and Shrewsbury, Missouri.

The original MetroLink system commenced operations in late 1993 and was extended to Lambert Airport in 1994. The first phase of the MetroLink extension to St. Clair County, Illinois, extending the

system to Southwestern Illinois College (formerly known as Belleville Area College), was completed in 2001, and the second phase, extending the system to Shiloh, Illinois and the Scott Air Force Base, was completed in 2003. This extension to St. Clair County was funded by State of Illinois grants and local funding from St. Clair County through a special 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, extending the system to Shrewsbury, Missouri, was completed in August 2006. This project was locally funded through the current and the future revenues of the 1/4 cent sales tax. The MetroLink system is now approximately 46 miles long with 37 passenger stations.

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

Development

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

Other

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

ECONOMIC AND DEMOGRAPHIC DATA

Population Statistics

The City is a part of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "Metropolitan Area") consisting of: the City; the Missouri counties of St. Louis, Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren and Washington; the City of Sullivan in Crawford County, Missouri; and the Illinois counties of Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair. 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 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 2004, 2005 and 2006, however, the City's population grew for the first time in more than four decades. The following table sets forth population estimates for the Metropolitan Area for the indicated calendar years.

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

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

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

Industry

There are approximately 90,000 employees working in downtown St. Louis. The downtown area is the primary office center in the Metropolitan Area with more than 11 million square feet of Class A and B office space and is home to approximately 1,700 businesses. The St. Louis region ties as the nation's sixth largest corporate headquarters market, with eight Fortune 500 corporations located in the St. Louis Metropolitan Area in 2008 – three of these eight are located in the City. Thirteen additional St. Louis companies in the St. Louis region ranked between 501 and 1,000 on the Fortune 1000 list. Three of these companies are headquartered in the City.

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

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

Tourism

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

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

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

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

Transportation

The City ranks as the second largest inland port in the United States handling more than 33 million tons of freight each year. Additionally, approximately 273,000 commercial aircraft operations (arrivals and departures) were performed at Lambert Airport in 2006 and approximately 15.2 million passengers enplaned and deplaned in such year. On average, there were 789 daily departures and arrivals in such year. A $1.1 billion multi-year expansion program was completed in 2006 adding a third parallel runway, capable of increasing capacity in all weather conditions. Lambert Airport has 83 gates serving 10 major airlines. American Airlines is Lambert Airport's primary air carrier. In 2007, Lambert Airport embarked on major renovations and upgrades to the main terminal and concourses for the purpose of improving Lambert Airport's appeal to passengers of all types.

Employment

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

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

CITY EMPLOYMENT BY INDUSTRY GROUP
(TOTAL NON FARM)

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

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

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

Employment Rates

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

	Average 2007	Average 2006	Average 2005	Average 2004	Average 2003
Labor Force	162,164	158,275	160,920	161,554	164,537
Number Employed	150,216	147,428	147,825	146,935	150,435
% City Unemployed	7.0%	6.9%	8.1%	9.0%	8.6%
% State Unemployed	5.0%	4.8%	5.4%	5.8%	5.6%
% U.S. Unemployed	4.6%	4.6%	5.1%	5.5%	6.0%

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 2006.

TOP 20 EMPLOYERS BY NUMBER OF EMPLOYEES
CALENDAR YEAR 2006

Name	Employees
BJC Health System	15,351
Washington University	13,006
St. Louis University	9,379
City of St. Louis	8,647
AT&T	6,628
The School District of the City of St. Louis	6,232
United States Postal Service	5,800
State of Missouri	5,310
Anheuser Busch	5,033
A.G. Edwards & Sons, Inc.~	5,016
Federated Retail Holdings†	4,137
National Finance Center*	3,658
Express Personnel Services	3,366
Defense Finance and Accounting Services*	3,336
Ameren Corporation	2,427
Schnucks Markets Inc.	2,406
Veterans Administration	2,362
Tenet Health Systems	2,241
The Junior College District of St. Louis and St. Louis County	2,206
St. Louis Sports Service	2,227

~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.
† May Company was acquired by Federated Department Stores, Inc. in August 2005.
* Federal payroll agency.
Source: City Collector of Revenue.

Major Taxpayers

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

TOP 20 TAXPAYERS - EARNINGS TAX
CALENDAR YEAR 2007

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

~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.
Source: City Collector of Revenue.

TOP 20 TAXPAYERS - PAYROLL EXPENSE TAX
CALENDAR YEAR 2007

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

~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.
Source: City Collector of Revenue.

TOP 20 TAXPAYERS - REAL ESTATE TAX
CALENDAR YEAR 2007

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

Source: City Collector of Revenue.

TOP 20 TAXPAYERS - PERSONAL PROPERTY TAX
CALENDAR YEAR 2007

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

† May Company was acquired by Federated Department Stores, Inc. in August 2005.
~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.

Source: City Collector of Revenue.

Building and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years 2002 through 2006.

Calendar Year	Value of Housing New	Rehabilitation	Value of Commercial, Industrial or other Non-Housing	Total Number of Permits	Total Value
2002	41,590,777	103,583,045	335,566,980	5,627	480,740,802
2003	112,499,325	103,501,991	326,046,296	5,965	542,047,612
2004	41,002,001	104,936,144	526,140,457	6,069	672,078,602
2005	155,865,516	193,213,943	306,599,451	7,050	655,678,910
2006	67,285,849	137,618,669	664,198,597	6,341	869,103,115

Source: City Building Division.

Sports Related Economic Development

The City is home to three major professional sports teams, the St. Louis Rams, the St. Louis Blues and the St. Louis Cardinals. The three teams make significant contributions to the economy of the St. Louis Metropolitan Area with ticket sales, dollars spent at concessions and on merchandise, and money spent at local restaurants and hotels. The three teams also generate positive national media attention for the City. In 2006, such attention was particularly heavy due to the opening of the new ballpark, Busch Stadium. In addition, the new Bush Stadium will host the 2009 Major League Baseball All-Star Game. Thanks to the quality of its teams and the excellence of its fan base, St. Louis is regarded by many as America's best sports city.

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

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

The former Busch stadium has been demolished, setting the stage for the new ballpark and the development of Ballpark Village, a six-block, mixed use complex that will occupy the northern half of the site of the old stadium. The Cardinals have teamed with the Cordish Company, a developer with extensive national experience in the development of mixed use entertainment districts, for the development of the Village. Investment in Phase I of the Village development is expected to exceed $280 million. The Village development is expected to include 100,000 square feet of new Class A office space—the first downtown since the late 1980s—as well as 360,000 square feet of restaurant, retail and entertainment space. Also contemplated are 250 luxury residential condominium units. It is anticipated that state and local tax increment incentive financing will be provided for the first phase of the development, with no City general revenue exposure. In addition to recurring tax revenues after completion from taxes based on the extensive economic activity the development will create, the development also is expected to generate significant City revenues during construction.

Business Development

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

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

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

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

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

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

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

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

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

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

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

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

In January 2008, the Missouri Department of Transportation commenced the $535 million, 2-year reconstruction of a segment of Highway I-64 from Spoede Road in St. Louis County to a point in the City west of downtown. Since downtown St. Louis is not included in the construction zone and a variety of interstate highways (I-70, I-44 and I-5 5, in addition to I-64) converge in downtown, it is not expected downtown will suffer serious negative impact. Nevertheless, City leaders are working with the regional council of governments and the Downtown Partnership to ensure that the City's roadways and signalization system are well-prepared for the commencement of full construction of the City segment in January 2009, and the City has received a special $3 million grant from the regional council of governments to assist in this process. Reconstruction of the Jefferson Avenue Viaduct and the new Multimodal transportation station is expected to be completed by the end of 2008, paving the way for both more efficient public transit use and detouring during the construction period. The completion of this I-64 reconstruction project will eliminate the need for major additional construction in this stretch of

highway for years to come and will enhance both the efficiency and attractiveness of this entranceway into the City.

Economic Development

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

FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

Introduction

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

Accounting and Reporting Practices

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

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

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

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

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

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

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

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

expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

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

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

Budget Process

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

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

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

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

Should the Board of Estimate and Apportionment fail to timely submit its proposed budget or tax rate to the Board of Aldermen, the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

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

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

Financing Controls

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

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

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

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

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

Cash Management

Cash management is handled by the City Treasurer. The City Treasurer, an elected official, 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 Missouri law, all investments held by the City Treasurer are in direct securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer, or in time deposits collateralized by those securities.

General Revenue Fund

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

General Revenue Fund Expenditures

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

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

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

Source: Audited Financial Statements

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

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

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

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

GENERAL REVENUE RECEIPTS

General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years 2005 through 2007.

	Fiscal Year		
TAXES:	**2007**	**2006**	**2005**
Earnings	32.10%	31.67%	30.78%
Franchise	12.35	12.70	13.04
Sales	11.47	11.38	11.52
Gross Receipts	1.92	3.06	2.96
Motor Vehicle Sales Tax	0.96	0.86	0.89
Real Estate	8.72	8.20	8.15
Personal Property	2.46	2.41	2.78
Payroll	8.20	8.72	7.91
Other Taxes	0.40	0.41	0.36
Total Taxes	78.58	79.34	78.39
License Fees	4.33	4.68	4.66
Departmental Receipts	11.47	12.03	11.54
27th Pay Reserve Transfers			0.04
Transfers	5.62	3.95	5.37
	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 32% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2007. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and is imposed on the gross income of individuals and of net profits of businesses within the City. The current rate of 1% has been in effect since 1959.

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

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

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

Source: City Comptroller's Office.

Franchise Tax

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

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

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

Source: City Comptroller's Office.

Sales and Use Tax

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

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

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

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

Source: City Comptroller's Office.

Gross Receipts Tax

The City's Gross Receipts Tax is derived from three sources: (1) public garage and parking lots tax; (2) amusements admission tax; and (3) restaurant tax.

The City's Gross Receipts Tax revenue for the Fiscal Years 2003 through 2007 was as follows:

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

Source: City Comptroller's Office.

Motor Vehicle Sales Tax

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

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

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

Source: City Comptroller's Office.

Real and Personal Property Taxes

Taxes are levied on all real and personal property within the City owned as of January 1 of each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. Real property and personal property are not taxed at the same rate. The formula for setting the tax rate does not allow for

more than normal growth in tax collections. As a result, there is no "windfall" to the City based upon the reassessments.

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

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
2003	$3,467,915,278	$ 6,144,042,484	$ 9,611,957,762
2004	3,533,864,775	6,207,536,526	9,741,401,301
2005	3,834,901,094	8,292,185,795	12,127,086,889
2006	3,830,514,456	8,493,124,679	12,323,639,135
2007	4,534,131,003	10,571,535,858	15,105,666,816

Source: City Assessor's Office.

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

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

Source: City Comptroller's Office.

Payroll Tax

Voters approved a Payroll Tax in 1988. The Payroll Tax is 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 2003 through 2007, on a cash basis, was as follows:

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

Source: City Comptroller's Office.

Other Taxes

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

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

Source: City Comptroller's Office.

License Fees

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

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

Source: City Comptroller's Office.

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder

of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts. Also included in Departmental Receipts is Intergovernmental Aid, Interest Earned, and Miscellaneous Receipts. The City's General Fund Departmental Receipts revenue for the Fiscal Years 2003 through 2007, on a cash basis, was as follows:

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

Source: City Comptroller's Office.

Operating Transfers

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

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

Fiscal Year	Operating Transfers[1]
2003	$24,793,323
2004	18,664,916
2005	21,460,749
2006	16,443,308
2007	23,298,344

1 Figures do not include transfers related to certain employment reserves.

Source: City Comptroller's Office.

The Hancock Amendment

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

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

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

INSURANCE

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

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

Source: City Comptroller's Office.

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

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

DEBT OF THE CITY

General

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

majority requirements as authorized by the State constitutional amendment. A proposed Charter amendment was submitted to City voters in August and November 1988 but at each election the proposal received more than a majority of the votes cast, but less 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 Lambert Airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is to be financed with the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

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

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

Tax Increment Financing Projects

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

Three projects were financed with TIF Revenue Bonds issued by The Industrial Development Authority of the City of St. Louis, Missouri (the “IDA”), namely, Edison Brothers Warehouse Redevelopment for $5.6 million and approved on January 29, 2000, MLK Plaza Redevelopment for $2.3 million and approved on March 18, 2002, and Southtown Redevelopment for $6.4 million and approved on September 14, 2006.

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

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

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

Project	Estimated TIF Costs	TIF Note	TIF Notes Outstanding as of April 30, 2007	Issuance Date
Cupples	$52,200,000	$3,745,000	$1,735,000	10/20/03
Chouteau/Compton	3,600,000	3,240,000	2,240,000	02/28/01
100 North Condominium LLC	400,000	400,000	258,589	07/01/01
Center for Emerging Technology	1,493,000	978,000	650,000	03/27/01
3800 Park	390,000	390,000	382,703	02/26/04
Gravois Plaza	4,049,000	4,049,000	4,049,000	04/01/02
Tech Electronics	900,000	900,000	900,000	01/31/03
1505 Missouri	621,100	659,540	654,540	03/21/06
Grand Center	80,000,000	4,710,000	4,597,000	11/30/06
Walter Knoll Florist	1,036,000	1,036,000	979,760	01/01/05
Louderman Building	2,440,400	2,444,400	2,263,103	07/18/06
920 Olive	2,667,732	2,667,732	2,667,732	09/13/04
Paul Brown	3,264,200	3,264,200	3,264,200	01/31/06
1141-1151 S. Seventh St.	1,136,800	1,131,600	1,102,600	12/16/05
Terra Cotta	3,520,000	3,520,000	3,505,000	12/09/05
Southtown	2,333,998	2,333,998	2,333,998	11/09/06
Soulard Market Apartments	4,800,000	2,760,533	2,760,533	10/07/04
Printer Lofts	3,880,000	4,410,000	4,410,000	05/23/06
City Hospital	5,000,000	2,535,000	2,535,000	03/21/07
1601 Washington	3,000,000	3,365,000	3,320,000	11/29/06
1619 Washington	1,583,379	1,930,000	1,910,000	01/05/06
Highlands	2,400,000	2,412,000	2,412,000	03/05/07
Maryland Plaza South	5,367,052	4,133,176	4,133,176	11/21/05
Gaslight Square East	1,500,000	1,770,000	1,770,000	11/01/06
Loughbourgh Commons	11,000,000	11,000,000	11,000,000	01/24/06
2300 Locust	1,800,000	1,800,000	1,768,000	03/31/06
600 Washington	16,961,000	16,961,000	16,961,000	01/09/07
410 N. Jefferson	1,525,000	1,735,000	1,735,000	06/28/07
Washington East Condominiums	7,300,000	5,480,000	5,480,000	05/08/07
Moon Brothers Carriage Lofts	1,300,000	1,490,000	1,490,000	03/25/07
Grace Lofts	1,550,000	1,715,725	1,715,725	05/24/07

Source: City Comptroller's Office

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

Project	**Estimated TIF Costs**	**TIF Area Approved**
4200 Laclede	$925,400	06/20/02
1312 Washington Avenue	500,000	04/25/03
2500 S. 18th Street	550,000	07/23/03
Fashion Square	3,700,000	07/23/03
Security Building	3,000,000	03/10/04
Catlin Townhomes	415,000	03/3004
Shenandoah Place	231,540	03/3004
1133 Washington	1,100,000	08/02/04
410 N. Jefferson	1,525,000	08/02/04
Barton Street Lofts	370,000	08/02/04
Warehouse of Fixtures	6,100,000	08/02/04
Maryland Plaza North	1,033,418	08/05/04
Marquette Building	3,600,000	12/22/04
1136 Washington	3,650,000	12/22/04
Washington East Condominiums	1,400,000	12/22/04
Bottle District	41,900,000	12/22/04
Automobile Row I	1,800,000	12/22/04
Automobile Row II	3,000,000	12/22/04
1300 Convention Plaza	925,000	01/03/05
Mississippi Place	825,000	01/03/05
5700 Arsenal	1,340,000	02/28/05
Adler Lofts	1,300,000	12/06/04
Dogtown Walk II	415,000	02/28/05
East Bank	1,414,000	02/28/05
Pet Building	3,000,000	04/19/05
4800-5000 Goodfellow	5,652,458	08/03/05
Moon Brothers Carriage Lofts	1,300,000	08/03/05
Switzer Building	1,040,000	08/05/05
1635 Washington	2,330,000	08/05/05
3949 Lindell	3,000,000	08/05/05
Ely Walker Lofts	6,000,000	08/05/05
West Town Lofts	2,400,000	08/09/05
Southside National Bank Building	1,400,000	08/09/05
Packard Lofts	1,300,000	08/09/05
Bee Hat (1021 Washington)	1,350,000	08/09/05
Lindell Condos	7,500,000	01/03/06
5819 Delmar	1,200,000	01/03/06
Delmar East Loop	6,000,000	01/03/06
6175-81 Delmar	2,100,000	01/03/06
Delmar Loop Center North	1,500,000	0 1/03/06
Syndicate Trust Building	8,200,000	01/18/06
Ludwig Lofts	850,000	03/22/06
Union Club	1,900,000	03/22/06
Park Pacific	20,460,000	08/03/06
2200 Gravois	1,000,000	08/03/06
4100 Forest Park II	6,500,000	06/23/06
Jefferson Arms	6,800,000	08/03/06
Grand/Cozens/Evans	1,200,000	11/11/06

Project	Estimated TIF Costs	TIF Area Approved
Ballpark Lofts	11,000,000	11/26/06
GEW Lofts	3,200,000	11/26/06
1818 Washington (Tudor Building)	3,600,000	11/26/06
Ballpark Village	3,600,000	02/20/07
Grand & Shenandoah	2,500,000	05/30/07
The Foundry	4,000,000	05/30/07
1400 Washington	12,000,000	06/05/07
Leather Trade	2,850,000	08/07/07

Source: City Comptroller's Office

Short-Term Borrowing

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

Fiscal Year	TRANs Issued During Fiscal Year	As a Percent of General Fund Revenues[1]
2004	$50,000,000	12.83%
2005	47,000,000	11.77%
2006	45,000,000	10.59%
2007	36,000,000	8.54%
2008	32,000,000	7.35%[2]

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

Outstanding Debt

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

Bonds	Amount Outstanding
General Obligation Bonds	$ 50,874,742
Water Revenue Bonds	26,325,000
Parking Revenue Bonds	81,350,000
Airport Revenue Bonds	818,830,000
Total	$ 977,379,742

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 April 30, 2008	Remaining Term in Years
Convention Center Bonds, Series 1993A	$2,567,205	6
Justice Center Bonds, Series 1996B	13,365,000	6
Convention and Sports Facility Project and Refunding Bonds, Series 2007	61,028,864	13
Kiel Site Rev Refunding Bonds, Series 1997A	5,960,000	13
Kiel Site Rev Refunding Bonds, Series 1997B	3,730,000	8
Justice Center Leasehold Improvement Bonds, Series 2000A	1,980,000	2
Convention Center Hotel Compound Leasehold Revenue Bonds, Series 2000	39,999,579	12
Justice Center Leasehold Revenue Bonds, Series 2001	61,190,000	13
Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A	23,725,000	19
Convention Center Leasehold Refunding Bonds, Series 2003	79,720,000	7
Civil Courts Revenue Refunding Bonds, Series 2003A	14,500,000	5
Forest Park Revenue Improvement Bonds, Series 2004	14,185,000	14
Convention Center Compound Interest Leasehold Revenue Bonds, Series 2005	44,997,891	23
Justice Center Leasehold Revenue Bonds, Series 2005	15,125,000	12
Rolling Stock	9,905,773	12
Abram Building Leasehold Revenue Bonds, Series 2007	3,825,767	10
Recreation Sales Tax Leasehold Revenue Bonds Series 2007	50,300,000.00	29
Taxable Leasehold Revenue Bonds, Series 2007 (Pension Funding Project)	140,030,000.00	29
Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007	23,880,000.00	29
	$610,015,079	

Source: City Comptroller's Office

Other Long-Term Debt Obligations

The city also has Missouri Transportation Finance Corporation (MTFC) and Missouri

Department of Natural Resources (MDNR) loans that are repaid from the City Capital Fund.

Description	Amount Outstanding April 30, 2008	Remaining Term in Years
MDNR Energy Efficiency Program	977,631	5
MTFC Multimodal Direct Loan	4,500,000	10
	$5,477,631	

Source: City Comptroller's Office

Direct and Overlapping Debt

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

	General Obligation Bonds Outstanding	Percent Applicable to St. Louis	City's Direct and Overlapping Debt
The City of St. Louis	$ 50,874,742	100.00%	$ 50,874,742
St. Louis City Board of Education	339,441,760	100.00%	339,441,760
Total	$390,316,502		$390,316,502

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, 2007. These figures do not include lease agreements.

	Amount	Per Capita[1]	Ratio to Assessed Value
Total Direct Debt	$ 50,874,742	$146.11	1.52%
Total Direct and Overlapping Debt	$339,441,760	$974.88	7.89%

[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, 2007.

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

Source: City Comptroller's Office.

EMPLOYEES AND EMPLOYEE RELATIONS

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

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

RETIREMENT SYSTEMS

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

Contributions from the City's General Revenue Fund to all plans for the Fiscal Year ended June 30, 2007, totaled $21,276,635 pension fund assets and are a statutory obligation of the City.

	(In Thousands)		
Benefits	Actuarial Value of System Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability
Employee's Retirement System	$554,064	$695,890	$141,824
Police Retirement System	716,015	852,237	136,222
Firemen's Retirement System	410,869	440,580	29,711

Source: City Comptroller's Office.

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

OTHER POST EMPLOYMENT BENEFITS GASB

Statement No. 45

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

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

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

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

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

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

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

The following is a five year history of the City's annual costs as well as a budgeted cost estimate for the Fiscal Year ending June 30, 2008.

Fiscal Year Ending	City Cost
2008 (budget)	$6,467,615
2007	5,605,911
2006	5,514,778
2005	6,470,532
2004	5,545,794
2003	3,714,061

Status of Compliance with GASB Statement No. 45

In order to meet GASB No. 45 requirements, the SLPD has hired an actuarial firm to calculate the dollar amount of unfunded actuarial accrued liability, if any, of the City as it relates to the SLPD for the

Fiscal Year ending June 30, 2008. Although the City does not expect to have any such liability, the City also has hired an actuarial firm to review the City's possible liability. The information produced by the actuaries will be included in the City's CAFR for the Fiscal Year ending June 30, 2008. Historically, the City has funded the full amount of the OPEB obligation from its general fund revenues, and expects to continue to do so.

LITIGATION

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

Zoological Subdistrict, et. al. v. Employees Retirement System

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

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

* * *

APPENDIX B

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

KPMG LLP, the City's Independent Auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

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

Independent Auditors' Report

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

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

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

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

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

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

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

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

KPMG LLP

St. Louis, Missouri
December 27, 2007

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

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

FINANCIAL HIGHLIGHTS (excluding discretely presented component units)

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

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

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

ANALYSIS OF NET ASSETS

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

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

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

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

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

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

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

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

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

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

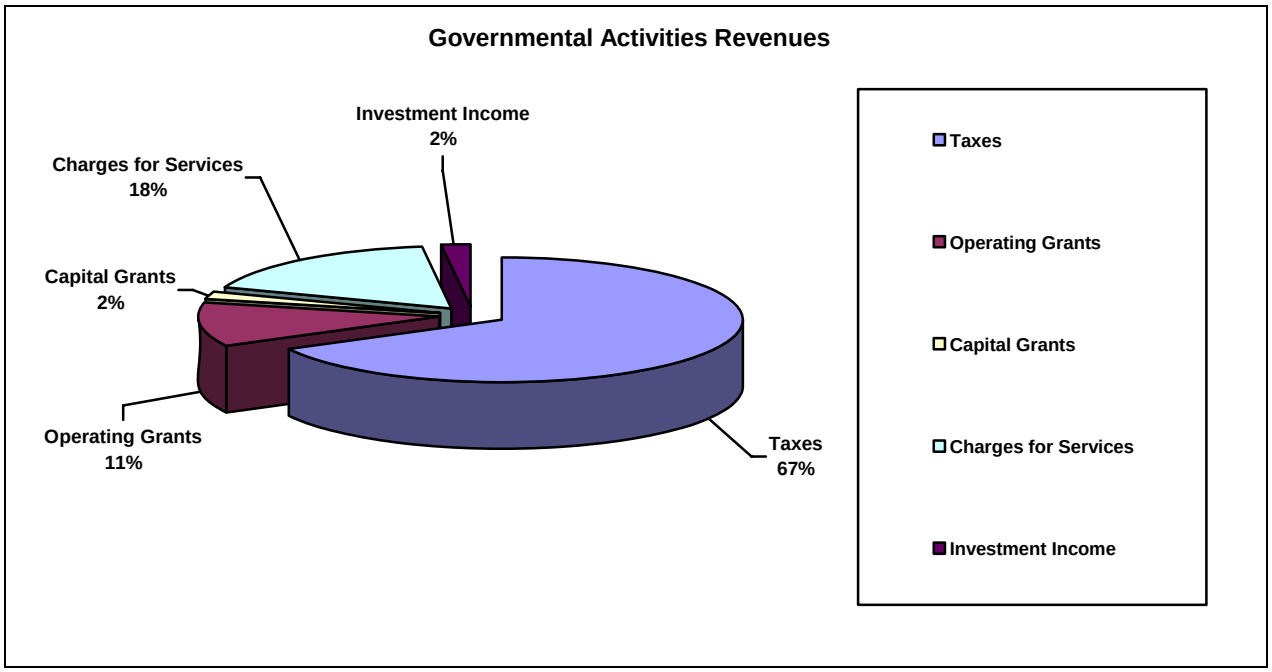
The total cost of all programs and services was $951.6 million, an increase from $899.2 million last year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

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

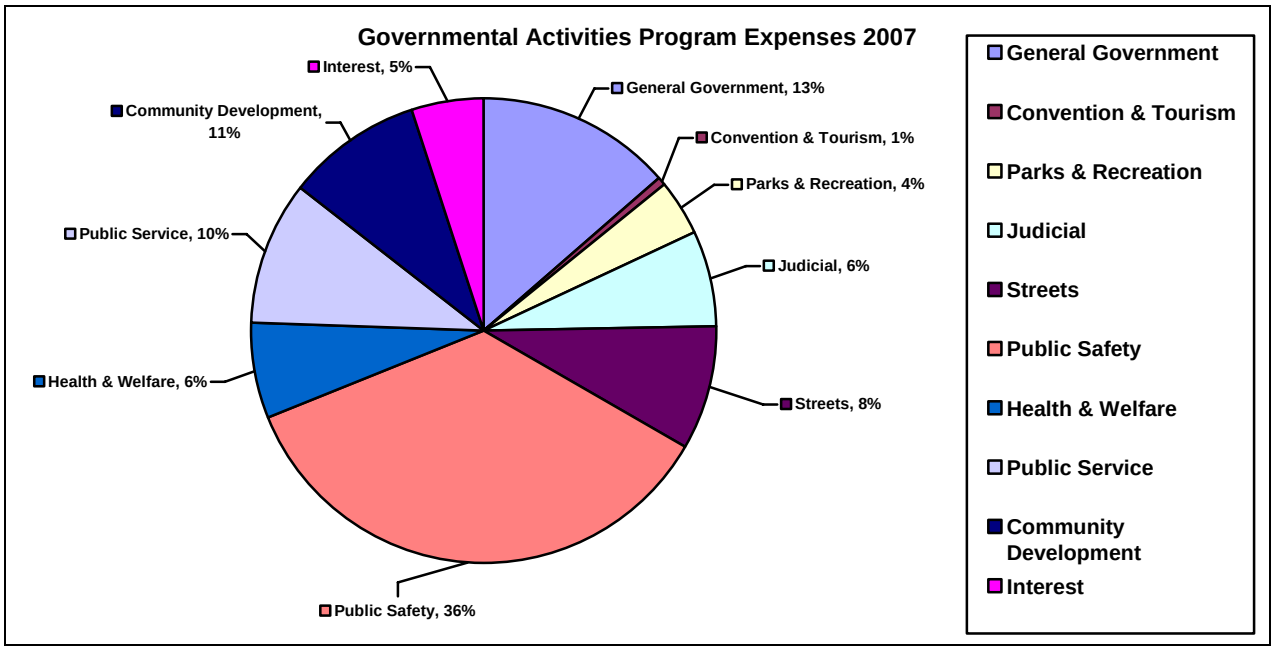
In the General Fund, several revenue sources exceeded final budget estimates. Of the budgeted revenue, taxes had a positive variance of $4.6 million or 1.4%. This can be attributed to the increase in earnings tax due to a healthy growth in the economy. License and permits had a negative variance of $1.4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

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

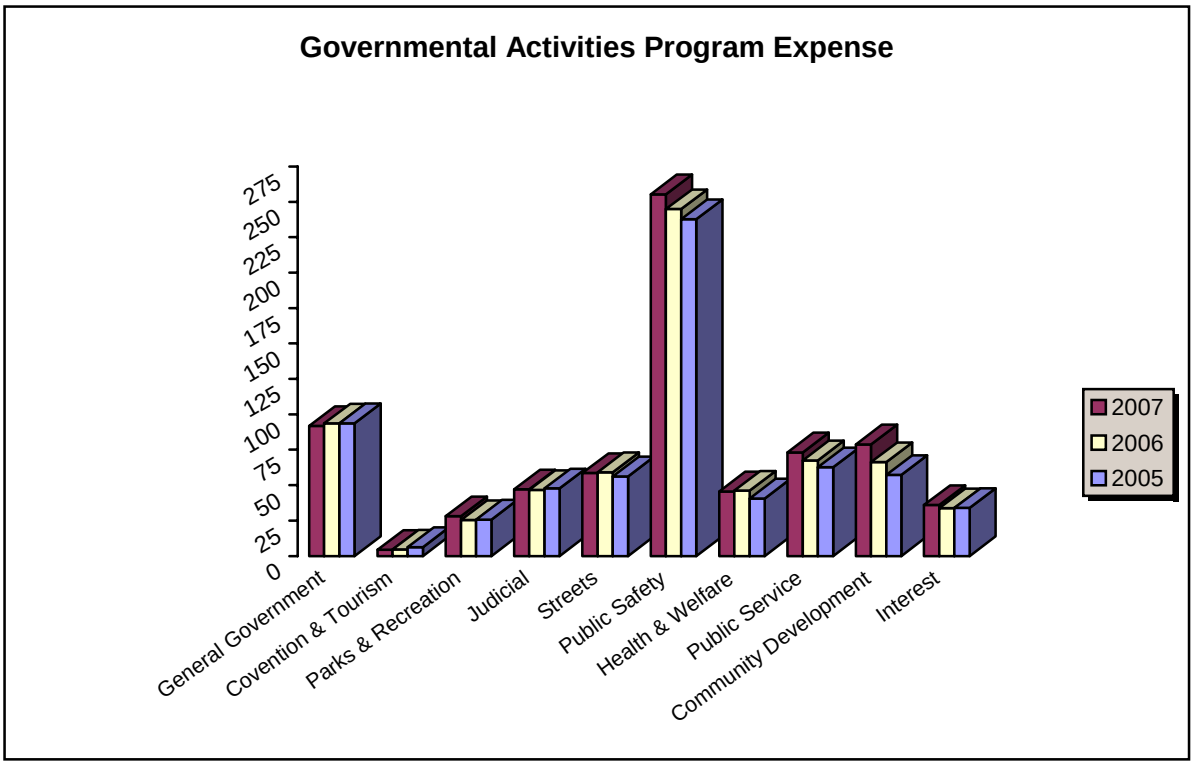
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2007.



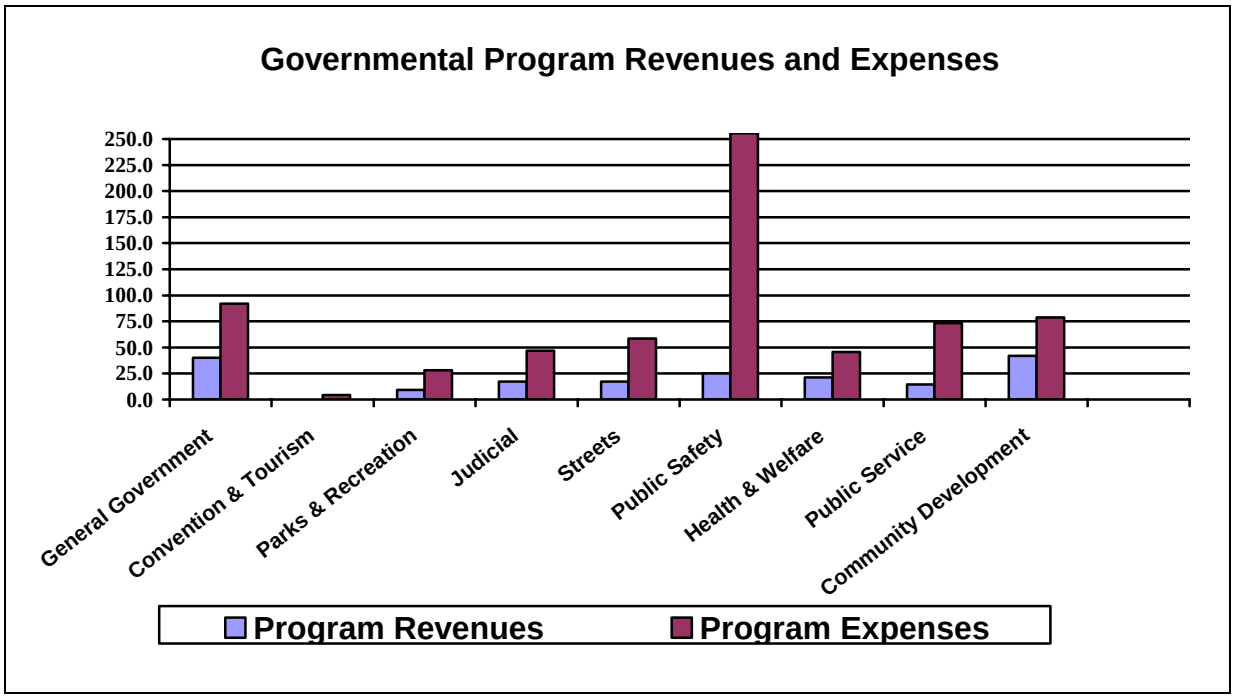
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was $718.8 million, an increase of $31.0 million or 4.5% over the prior year. As shown, public safety is the largest function in expense (36%). The majority of the spending was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



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



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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

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

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

General Fund Budgetary Highlights

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

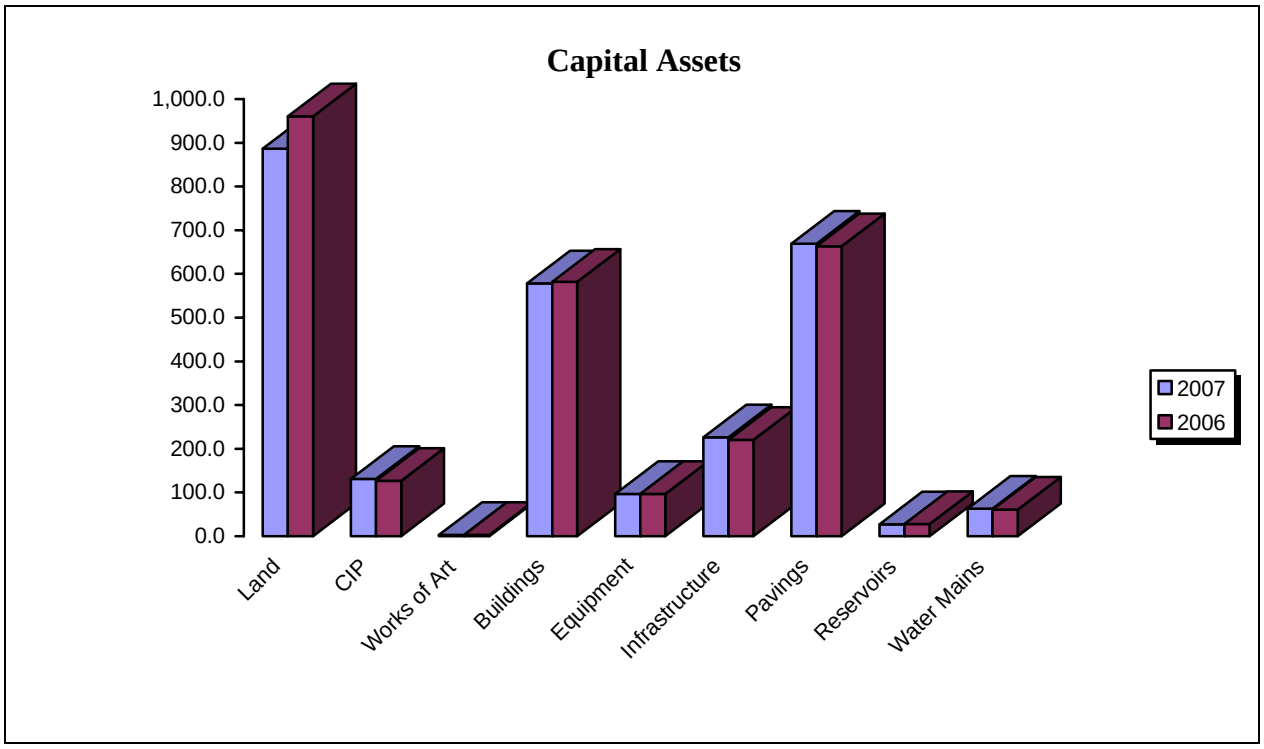
The City had invested $2.7 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways and water systems. This amount represents a net decrease for the current fiscal year (including additions and deductions) of $60.4 million, or 2.2%, over last year.

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

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

This year's major capital asset changes included:

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



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

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

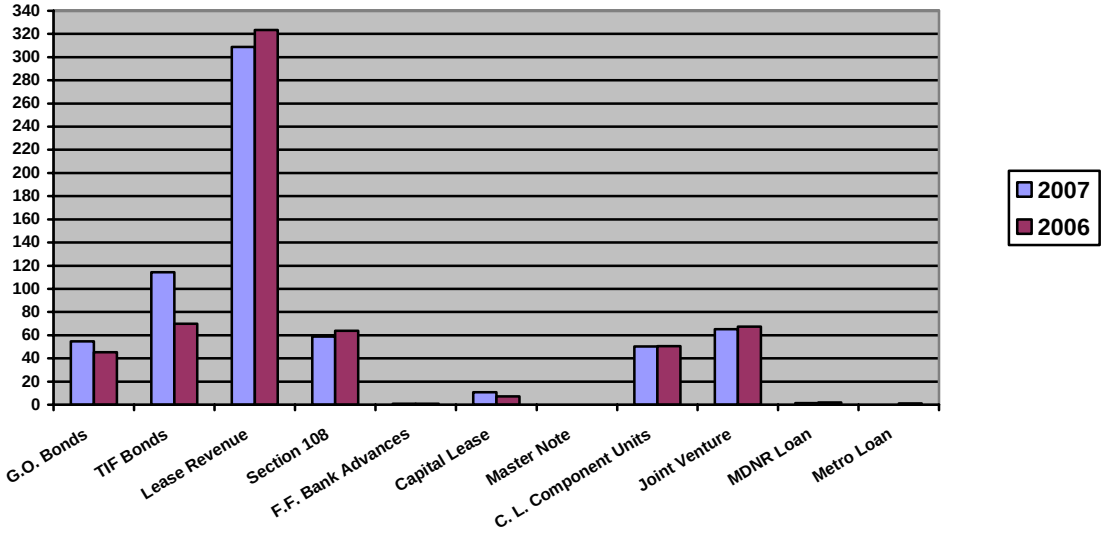
Long-Term Debt

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

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

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

Outstanding Long-Term Debt Obligations 2007 and 2006



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

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

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

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

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

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

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

Economic Factors and Next Year's Budget

- The fiscal year 2008 annual operating budget allocates $867.7 million among all budgeted funds, an increase of 4.7% incorporating several special fund initiatives relating to:
    - Forest Park and other neighborhood park improvements.
    - Financing for two new recreation centers, improvements to existing centers and additional recreational programming.
    - Public Safety Initiatives related to problem and nuisance property prosecution, career criminal prosecution unit, and additional police officers.

- The fiscal year 2008 general fund budget is $435.3 million compared with $425.3 million in the prior year. This amount reflects an increase of $10 million, or 2.4%. This relates to:
    - Funding most services at existing levels, except in areas with new funding sources.
    - Funds for modest pay increases for employees.
    - Financing of pension costs – effort ongoing to develop comprehensive plan to address future cost of all three pension systems.

- Total positions for 2008 is 7,238, an increase of 2%. The additional 131 positions relate to the Corrections Division and Police Dept. with remaining scattered among other city departments.

Requests for Information

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

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

THE COMMON SEAL OF
THE CITY OF ST. LOUIS.

THE COMMON SEAL OF
THE CITY OF ST. LOUIS.

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

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

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
Year ended June 30, 2007
(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**	**SWMDC**
Primary Government:										
Governmental activities:										
General government	$ 91,822	39,757	376	—	(51,689)	—	(51,689)	—	—	—
Convention and tourism	4,352	16	—	—	(4,336)	—	(4,336)	—	—	—
Parks and recreation	28,130	9,126	126	—	(18,878)	—	(18,878)	—	—	—
Judicial	46,990	14,855	2,203	—	(29,932)	—	(29,932)	—	—	—
Streets	58,606	17,184	154	—	(41,268)	—	(41,268)	—	—	—
Public safety:										
Fire	56,405	7,416	—	—	(48,989)	—	(48,989)	—	—	—
Police— Payment to SLPD	138,871	—	—	—	(138,871)	—	(138,871)	—	—	—
Other	59,984	22,797	1,570	—	(35,617)	—	(35,617)	—	—	—
Health and welfare	45,630	418	20,714	—	(24,498)	—	(24,498)	—	—	—
Public service	73,145	5,530	8,897	14,232	(44,486)	—	(44,486)	—	—	—
Community development	78,788	—	41,954	—	(36,834)	—	(36,834)	—	—	—
Interest and fiscal charges	36,024	—	—	—	(36,024)	—	(36,024)	—	—	—
Total governmental activities	718,747	117,099	75,994	14,232	(511,422)	—	(511,422)	—	—	—
Business-type activities:										
Airport	178,110	155,295	2,643	43,759	—	23,587	23,587	—	—	—
Water Division	42,395	44,130	—	874	—	2,609	2,609	—	—	—
Parking Division	12,423	14,155	—	—	—	1,732	1,732	—	—	—
Total business-type activities	232,928	213,580	2,643	44,633	—	27,928	27,928	—	—	—
Total primary government	$ 951,675	330,679	78,637	58,865	(511,422)	27,928	(483,494)	—	—	—
Component Units:										
SLDC	$ 19,744	9,561	10,826	—	—	—	—	643	—	—
SLPD	157,663	2,142	7,675	3,477	—	—	—	—	(144,369)	—
SWMDC	274	348	—	—	—	—	—	—	—	74
Total component units	$ 19,745	12,051	18,501	3,477	—	—	—	643	(144,369)	74
General revenues:										
Taxes:										
Property taxes, levied for general purpose					$ 62,333	—	62,333	—	—	—
Property taxes, levied for debt service					6,197	—	6,197	—	—	—
Sales taxes					127,664	—	127,664	—	—	—
Earnings/payroll taxes					169,822	—	169,822	—	—	—
Gross receipts taxes (includes franchise tax)					75,378	—	75,378	—	—	—
Miscellaneous taxes					6,237	—	6,237	—	—	—
Unrestricted investment earnings					12,094	12,522	24,616	603	301	55
Support provided by City of St. Louis, Missouri					—	—	—	—	138,871	—
On-behalf payment for pension contribution from the City of St. Louis, Missouri					—	—	—	—	8,093	—
Gain/loss on sale of capital assets					(324)	(78,105)	(78,429)	—	(59)	—
Transfers					7,885	(7,885)	—	—	—	—
Total general revenues and transfers					467,286	(73,468)	393,818	603	147,206	55
Change in net assets					(44,136)	(45,540)	(89,676)	1,246	2,837	129
Net assets—beginning of year					305,295	1,285,428	1,590,723	20,242	(41,329)	7,161
Net assets—end of year					$ 261,159	1,239,888	1,501,047	21,488	(38,492)	7,290

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2007
(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	$ 6,541	10,632	—	6,361	23,534
Unrestricted	2,151	51	—	26,288	28,490
Investments:					
Restricted	14,701	43,422	—	2,149	60,272
Unrestricted	28,387	21,272	6,213	33,094	88,966
Receivables, net of allowances					
Taxes	90,073	2,950	—	28,690	121,713
Licenses and permits	2,629	—	—	240	2,869
Intergovernmental	3,972	2,180	15,525	1,650	23,327
Charges for services	252	—	—	2,181	2,433
Notes and loans	—	—	—	79	79
Other	187	—	6	594	787
Due from component units	1,512	—	—	—	1,512
Due from other funds	22,396	—	—	7,023	29,419
Total assets	$ 172,801	80,507	21,744	108,349	383,401
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 5,361	5,533	6,827	1,754	19,475
Accrued salaries and other benefits	3,343	280	261	393	4,277
Due to component units	1,551	—	—	2,959	4,510
Due to other funds	1,272	6,292	14,718	2,919	25,201
Advance from other funds	12,121	—	—	—	12,121
Deferred revenue	72,019	9	—	21,841	93,869
Other liabilities	2,406	—	—	1,204	3,610
Total liabilities	98,073	12,114	21,806	31,070	163,063
Fund balances:					
Reserved:					
Encumbrances	2,048	26,027	—	4,936	33,011
Debt service	19,031	1	—	15,773	34,805
Capital projects	—	29,641	—	—	29,641
Unreserved, reported in:					
General fund	53,649	—	—	—	53,649
Special revenue funds	—	—	(62)	56,570	56,508
Capital projects fund	—	12,724	—	—	12,724
Total fund balances	74,728	68,393	(62)	77,279	220,338
Total liabilities and fund balances	$ 172,801	80,507	21,744	108,349	383,401

See accompanying notes to basic financial statements.

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

Total fund balances—governmental funds—balance sheet	$	220,338
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the fund financial statements.		774,901
Various taxes related to fiscal year 2007 will be collected beyond the 60-day period used to record revenue in the fund financial statements. Revenue for this amount is recognized in the government-wide financial statements.		12,772
Property taxes are assessed by the City on January 1st of each calendar year, but are not due until December 31st. Taxes assessed on January 1, 2007 and payable on December 31, 2007 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.		66,668
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds, generally on a cost reimbursement basis. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets, net of amounts due from enterprise funds.		105
Bond issuance costs are reported in the governmental funds financial statements as expenditures when debt is issued, whereas the amounts are deferred and amortized over the life of the debt on the government-wide financial statements.		9,428
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported on the government-wide statement of net assets. Also, during the year, the City issued new debt and refunded some of its existing debt. Discounts, premiums, bond issuance costs, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt on the government-wide financial statements.		
Balances as of June 30, 2007 are:		
Accrued compensated absences		(27,489)
Firemen's overtime related to Proposition B		(1,148)
Net pension obligation		(92,300)
Accrued interest payable on bonds		(38,064)
Landfill closure liability		(120)
Capital lease		(61,050)
Bonds and notes payable		(604,035)
Unamortized discounts		1,133
Unamortized premiums		(15,323)
Unamortized deferred amounts on refunding		15,343
Total net assets—governmental activities—statement of net assets	$	261,159

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

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

Certain internal service fund activities are included within business-type activities	(1,120)
Net assets of business-type activities—government-wide statement of net assets	$ 1,239,888

See accompanying notes to basic financial statements.

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

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

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Reporting Entity

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

1) Blended Component Units

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

Public Facilities Protection Corporation (PFPC)

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

St. Louis Municipal Finance Corporation (SLMFC)

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

St. Louis 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 three discretely presented component units. These are reported individually to emphasize that they are legally separate from the City.

St. Louis Development Corporation (SLDC)

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

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

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

Solid Waste Management and Development Corporation (SWMDC)

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

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

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

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

3) 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, *Accounting and Financial Reporting for Nonexchange Transactions*, groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

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

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

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

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

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

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

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

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

d. Property Taxes

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

e. Cash and Investments

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

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

f. Inventories

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

g. Capital Assets

1) Governmental Activities Capital Assets

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

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

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

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

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

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

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

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

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

2) Business-type Activities Capital Assets

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

3) Airport

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

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

4) Water Division

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

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

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

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

5) Parking Division

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

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

6) Mailroom

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

7) Component Unit—SLDC

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

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

8) Component Unit—SLPD

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

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

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

9) Component Unit—SWMDC

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

h. Long-term Liabilities

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

i. Passenger Facility Charges (PFCs)

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

j. Capital Contributions

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

k. Capitalization of Interest

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

l. Amortization

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

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

m. Compensated Absences

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

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

Component Unit—SLPD

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

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

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

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

n. Encumbrances

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

o. Interfund Transactions

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

1) Transfers

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

2) Interfund Services Provided/Used

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

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

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

p. Reserved Fund Balance

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

1) General Fund

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

2) Capital Projects Fund

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

3) Other Governmental Funds

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

q. Net Assets

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

1) Invested in Capital Assets, Net of Related Debt

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

2) Restricted

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

3) Unrestricted

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

r. Statement of Cash Flows

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

s. Use of Estimates

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

t. Individual Fund Deficit

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

2. DEPOSITS AND INVESTMENTS

a. Primary Government

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

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

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

1) Primary Government Excluding Pension Trust Funds

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

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

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

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

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

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

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

Interest Rate Risk

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

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

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

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 as of June 30, 2007:

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

Custodial Credit Risk

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

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

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

Concentration of Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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	24%	29	34
Small Cap	10	15	20
Domestic Fixed Income	30	35	40
International Equities	16	21	26

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

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

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

3) Primary Government—Pension Trust Fund—Police System

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

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

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.

The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Police System as of September 30, 2006:

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

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

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

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

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

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.

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

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

Asset Class as a Percent of Total Assets

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

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

MFB Daily S&P 500 Equity Index	$93,001

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

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

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

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

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 Pound	$		2,282		2,282
Canadian Dollar		—	3,852	—	3,852
Euros		—	7,417	—	7,417
Japanese Yen		—	1,468	—	1,468
Total	$	—	15,019	—	15,019

Credit Risk of Debt Securities

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

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

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

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

Interest Rate Risk

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

		Investment maturities (in years)			
	Fair Value	Less than 1	1 – 5	6 – 1 0	More than 10
U.S. Government Securities	$ 26,354	—	8,209	5,644	12,501
Agency Securities	14,808	—	4,372	2,229	8,207
Corporate Bonds and Debentures	19,135	4,045	9,714	1,327	4,049
Foreign Government and Corporate Obligations	17,556	2,272	3,874	5,437	5,973
	$ 77,853	6,317	26,169	14,637	30,730

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

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

Concentration of Credit Risk

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

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

b. Component Unit—SLDC

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

c. Component Unit—SLPD

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

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

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

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

Interest Rate Risk

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

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

Credit Risk

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

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

Custodial Credit Risk

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

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

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

Concentration of Credit Risk

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

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

d. Component Unit—SWMDC

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

3. RECEIVABLES, NET

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

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

4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

Governmental activities:		
Taxes receivable—general fund	$	826
Taxes receivable—other governmental funds		118
License and permits receivable—general fund		46
Charges for services receivable—other governmental funds		128
Business-type activities:		
Charges for services receivable—Airport		1,192
Charges for services receivable—Water Division		3,917
	$	6,227

5. COMPONENT UNIT—SLDC RECEIVABLES

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

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2007:

Airport bond fund:		
Debt service account	$	45,183
Debt service reserve account		35,998
Airport renewal and replacement fund		3,500
Passenger facility charge fund		18,633
Airport development fund		49,433
Airport construction fund		77,877
Drug enforcement agency funds		2,041
	$	232,665

City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues, but no later than five business days before the end of each month) in the following order of priority:

1) *Unrestricted Airport Operation and Maintenance Fund:* an amount sufficient to pay the estimated operation and maintenance expenses during the next month.

2) *Airport Bond Fund:* for credit to the Debt Service Account, if and to the extent required, so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.

3) *Airport Bond Fund:* for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the debt service account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.

4) *Arbitrage Rebate Fund*: an amount necessary to fund the Arbitrage Rebate in order to pay the Rebate Amount when due and payable.

5) *Subordinated Indebtedness*: an amount sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness.

6) *Airport Renewal and Replacement Fund:* an amount equal to $57, provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted moneys in said fund are equal to or greater than $3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

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

8) *Airport Debt Service Stabilization Fund and the Airport Development Fund*: various amounts for Airport Fiscal Years 2006 through 2011, achieving a balance of Thirty Eight Million Two Hundred Eleven Thousand Dollars ($38,211) at the end of Fiscal Year 2011. Beginning in Airport Fiscal Year 2012, the Airport will allocate an amount sufficient to bring the amount on

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

9) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that, in the event the sum on deposit in the Airport Bond Fund—Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal, or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2007 are as follows:

Bond funds:		
Waterworks bond fund	$	3,581
Water replacement and improvement account		784
Total bond funds		4,365
Construction funds		7,376
Customer deposits		2,388
	$	14,129

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

1) 1998 Water Revenue Bond Funds

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

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

3) To the Water Revenue Debt Service Reserve Account, a sum equal to the Debt Service Reserve Fund Requirement or a debt service reserve fund policy or a surety bond shall be provided by a Bond Issuer in such amount or a letter of credit shall be provided by a bank acceptable to the City in such amount. All amounts paid and credited to this account shall be used solely to prevent any default in the payment of the principal of and interest on the Bonds.

4) To the Water Replacement and Improvement Fund, an amount equal to $25 per month until the account balance aggregates $750. This account shall be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.

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

2) Construction Funds

City ordinances also provide that the principal proceeds from the sale of Series 1998 Revenue Bonds and amounts appropriated from the Water Contingent Account shall be held in the Construction Fund, from which they shall be disbursed for the purposes contemplated in these ordinances.

3) Customer Deposits

City ordinances provide that amounts paid by customers as deposits on water meters, construction, and unclaimed meter deposits be held in escrow until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill.

4) Service Line Maintenance

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

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2007 are as follows:

Series 2006, 2002, 1999, and 1996 bonds:		
Debt service reserve	$	3,975
Debt Service		914
Construction Funds		4,599
Cost of issuance		27
Repair and replacement		2,663
Net project revenues		176
Parking trust—Parking Division accounts		1,490
Total series 2002, 1999, and 1996 bonds		13,844
Series 2003A and 2003B bonds:		
Gross revenues		124
Bond		40
Repair and replacement		29
Operating reserve		100
Redemption		59
Total series 2003A and 2003B bonds		352
	$	14,196

The June 30, 2007 restricted assets are required by the Series 2006, 2003A, 2003B, 2002, 1999, and 1996 bond indentures. Descriptions of the above funds required by the Series 2006, 2002, 1999, and 1996 Bond indentures are as follows:

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

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

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

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

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

6) *Parking Trust*—Parking Division Accounts—Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available.

7) *Repair and Replacement*—Provides for the repair and upkeep of parking garages.

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

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

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

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

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

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

d. Component Unit—SLDC

Restricted cash and investments at June 30, 2007 are as follows:

Bond funds	$ 2,146

Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture consist of a Bond Reserve Account in the amount of $2,146.

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

e. Component Unit—SLPD

SLPD restricted assets of $704 at June 30, 2007 represent mutual funds restricted in accordance with debt covenants.

7. CAPITAL ASSETS

a. Primary Government

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 77,352	—	—	—	77,352
Construction in progress	58,603	15,560	—	(20,071)	54,092
Works of art	3,054	—	—	154	3,208
Total capital assets not being depreciated	139,009	15,560	—	(19,917)	134,652
Capital assets being depreciated:					
Buildings	416,059	7,898	(31)	1,978	425,904
Improvements other than buildings	75,380	2,774	—	2,231	80,385
Equipment	98,706	8,872	(2,955)	—	104,623
Infrastructure	435,222	11,648	—	15,708	462,578
Total capital assets being depreciated	1,025,367	31,192	(2,986)	19,917	1,073,490
Less accumulated depreciation for:					
Buildings	110,721	9,567	(31)	—	120,257
Improvements other than buildings	17,552	2,063	—	—	19,615
Equipment	52,822	6,706	(2,432)	—	57,096
Infrastructure	214,628	21,600	—	—	236,228
Total accumulated depreciation	395,723	39,936	(2,463)	—	433,196
Total capital assets being depreciated, net	629,644	(8,744)	(523)	19,917	640,294
Governmental activities capital assets, net	$ 768,653	6,816	(523)	—	774,946

Construction in progress consists primarily of firehouse renovations, the transportation center, and street and bridge projects.

Included in the governmental activities capital assets is an idle capital asset that the City has determined to be impaired. This capital asset's carrying value is $4,902 at June 30, 2007. No impairment loss was recognized for the year ended June 30, 2007 as the asset was already carried at the lower of cost or fair market value.

The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2007. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Business-type activities:					
Combined:					
Capital assets not being depreciated:					
Land	$ 883,086	12,327	(86,587)	86	808,912
Construction-in-progress	68,195	52,780	—	(43,776)	77,199
Total capital assets not being depreciated	951,281	65,107	(86,587)	(43,690)	886,111
Capital assets being depreciated:					
Buildings and structures	481,851	1,626	(1,356)	7,171	489,292
Equipment	76,502	2,106	(2,241)	561	76,928
Pavings	859,533	125	(1,364)	35,767	894,061
Parking meters and lot equipment	5,797	675	—	—	6,472
Reservoirs	34,513	12	—	—	34,525
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,868	6	—	6	8,880
Purification basins and equipment	39,932	—	—	185	40,117
Water mains, lines, and accessories	108,932	3,224	(42)	—	112,114
Motor vehicle equipment	8,550	98	(104)	—	8,544
Total capital assets being depreciated	1,625,139	7,872	(5,107)	43,690	1,671,594
Less accumulated depreciation for:					
Buildings and structures	272,492	15,453	(1,213)	—	286,732
Equipment	51,135	3,872	(2,229)	—	52,778
Pavings	197,333	29,668	(1,365)	—	225,636
Parking meters and lot equipment	3,958	463	—	—	4,421
Reservoirs	6,644	665	—	—	7,309
Boiler plant equipment	619	3	—	—	622
Pumping equipment	7,625	161	—	—	7,786
Purification basins and equipment	10,793	775	—	—	11,568
Water mains, lines, and accessories	48,092	1,358	(38)	—	49,412
Motor vehicle equipment	5,065	501	(104)	—	5,462
Total accumulated depreciation	603,756	52,919	(4,949)	—	651,726
Total capital assets being depreciated, net	1,021,383	(45,047)	(158)	43,690	1,019,868
Business-type activities capital assets, net	$ 1,972,664	20,060	(86,745)	—	1,905,979

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

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

Governmental activities:		
General government	$	5,341
Convention and tourism		4,273
Parks and recreation		3,179
Judicial		341
Streets		23,493
Public safety:		
Fire		1,892
Other		765
Health and welfare		427
Public service		225
Total depreciation expense, governmental activities	$	39,936
Business-type activities:		
Airport	$	46,180
Water Division		4,561
Parking Division		2,178
Total depreciation expense, business-type activities	$	52,919

b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
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	658	6	—	664
Parking facilities	18,897	93	—	18,990
Total capital assets being depreciated	22,555	99	—	22,654
Less accumulated depreciation for:				
Leasehold improvements	1,100	200	—	1,300
Equipment	643	8	—	651
Parking facilities	9,201	610	—	9,811
Total accumulated depreciation	10,944	818	—	11,762
Total capital assets being depreciated, net	11,611	(719)	—	10,892
SLDC capital assets, net	$ 16,525	(719)	—	15,806

c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
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	39,702	298	—	40,000
Furniture, fixtures, and other equipment	3,035	1,535	436	4,134
Automotive equipment	9,839	2,085	1,263	10,661
Communications equipment	4,495	1,918	15	6,398
Computers and software	3,177	282	293	3,166
Aircraft	258	—	258	—
Total capital assets being depreciated	60,506	6,118	2,265	64,359
Less accumulated depreciation for:				
Buildings and improvements	16,670	731		17,401
Furniture, fixtures, and other equipment	2,137	575	424	2,288
Automotive equipment	7,192	1,692	1,216	7,668
Communications equipment	4,044	199	14	4,229
Computers and software	2,097	499	294	2,302
Aircraft	254	4	258	—
Total accumulated depreciation	32,394	3,700	2,206	33,888
Total capital assets being depreciated, net	28,112	2,418	59	30,471
SLPD capital assets, net	$ 29,758	2,418	59	32,117

d. Component Unit—SWMDC

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets being depreciated:				
Infrastructure	$ 8,056		—	8,056
Total capital assets being depreciated	8,056	—	—	8,056
Less accumulated depreciation for:				
Infrastructure	2,665	254	—	2,919
Total accumulated depreciation	2,665	254	—	2,919
SWMDC capital assets, net	$ 5,391	(254)	—	5,137

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2007, SLDC has established a reserve for impairment of $5,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Vendors	Contracts and retainage payable	Total
Governmental activities:			
General fund	$ 5,344	17	5,361
Capital projects fund	3,297	2,236	5,533
Grants fund	6,827	—	6,827
Other governmental funds	1,703	51	1,754
Internal service	261	—	261
Total governmental activities	$ 17,432	2,304	19,736
Business-type activities:			
Airport	$ 5,741	13,858	19,599
Water Division	2,415	—	2,415
Parking Division	99	—	99
Total business-type activities	$ 8,255	13,858	22,113

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, 2006
Police	September 30, 2006
Employees'	September 30, 2006

a. Firemen's Retirement System of St. Louis

1) System Description

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

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

The Firemen's System provided retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation. Such benefits are authorized by State statues and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP option is available to members of the Firemen's System who have achieved at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member, and the member's contribution will be reduced to 1% from the normal 8%. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may

participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

2) Funding Policy

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

3) Annual Pension Cost and Net Pension Asset (Obligation)

The City's annual pension cost and net pension obligation to the Firemen's System for the year ended June 30, 2007 are as follows:

Annual required contribution	$	(17,871)
Interest on net pension asset		228
Adjustment to annual required contribution		(256)
Annual pension cost		(17,899)
Contributions made		4,110
Decrease in net pension asset		(13,789)
Net pension asset, beginning of year		2,990
Net pension obligation, end of year	$	(10,799)

The net pension obligation of $(10,799) as of June 30, 2007 is reflected as a long-term liability within governmental activities in the government-wide financial statements.

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

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed			Net Pension Asset (Obligation)
2007	$	17,899	23	%	$	(10,799)
2006		14,896	28			2,990
2005		9,926	21			13,776

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

Date of actuarial valuation	October 1, 2006
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 year closed period from establishment
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.000%, per year to retirement age
Projected postretirement benefit increases:	
Under age 60:	
20-24 service years	1.5%, per year
25-29 service years	2.25%, per year
30 or more service years	3.0%, per year
Over age 60	3.000% with a maximum of 25% in increases after age 60

4) Lawsuit

The Firemen's System filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Firemen's System for the City's 2004, 2005, 2006, and 2007 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court (Supreme Court). On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

In response to the judgments, the Board of Aldermen had authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Firemen's System.

b. *Police Retirement System of St. Louis*

1) System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; 2020 Market Street, St. Louis, Missouri 63103.

The Police System provides retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service or attaining age 55. The monthly allowance consists of 40% of the two-year average final compensation for the first 20

years of services, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have in excess of 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. Such benefits are established by the State statute.

The Police System implemented a DROP feature during the Police System's fiscal year ended September 30, 1996. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account, and will no longer make contributions to the Police System. During participation in the DROP, the member will not receive credit for service and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the DROP. A member may participate in the DROP only once for any period up to five years, at which point the member may reenter the Police System. At retirement, the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

2) Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty, the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police System for the year ended June 30, 2007 are as follows:

Annual required contribution	$	(17,281)
Interest on net pension obligation		(1,490)
Adjustment to annual required contribution		2,267
Annual pension cost		(16,504)
Contributions made		8,093
Increase in net pension obligation		(8,411)
Net pension obligation beginning of year		(19,223)
Net pension obligation end of year	$	(27,634)

The net pension obligation of $(27,634) is reflected as a long-term liability within governmental activities in the government-wide financial statements.

Historical trend information about the City's participation in the Police System is presented below.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	$ 16,504	49 %	$ (27,634)
2006	14,418	56	(19,223)
2005	11,485	35	(12,898)

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

Date of actuarial valuation	October 1, 2006
Actuarial cost method	Aggregate cost method (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

4) Lawsuit

The Police System filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police System for the City's 2004, 2005, 2006 and 2007 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court (Supreme Court). On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

In response to the judgments, the Board of Aldermen had authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Police System.

c. *Employees Retirement System of the City of St. Louis*

1) System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees Retirement System upon employment with the exception of employees hired after attaining age 60.

The Employees System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

The Employees System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest with employees covered by the Employees System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65 or if the employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service; age 55 with at least 20 years of creditable service; or at any age with 30 years of creditable service.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, Authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

2) Funding Policy

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. The Board of Trustees established the required employer contributions rate based on active member payroll of 13.17% effective July 1, 2006 and 13.19% of active member payroll effective July 1, 2005. The City contributed 6% of active member payroll beginning July 2003 through the present.

Employees who became members of the Employees System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees System equal to 3% of their compensation until the employee's compensation equals the maximum

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

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees System for the year ended June 30, 2007 are as follows:

Annual required contribution	$	(29,478)
Interest on net pension obligation		(4,883)
Adjustment to annual required contribution		5,422
Annual pension cost		(28,939)
Contributions made		14,953
Increase in net pension obligation		(13,986)
Net pension obligation, beginning of year		(61,034)
Net pension obligation, end of year	$	(75,020)

The net pension obligation of $(75,020) is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	$	(53,867)
Business-type activities		(14,036)
Component unit—SLPD		(7,117)
	$	(75,020)

Historical trend information about the City's participation in the Employees System is presented below.

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed			Net Pension Obligation
2007	$	28,939	52	%	$	(75,020)
2006		28,824	53			(61,034)
2005		30,665	42			(47,358)

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

Date of actuarial valuation	October 1, 2006
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2006
Actuarial value of assets	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Initial unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period. The actuarial asset value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized at the market value as of October 1, 2005.
Investment rate of return	8.00%
Projected salary increases	varies by age, ranging from 3.825% to 7.226%
Projected postretirement benefit increases	5.00% per year, maximum cumulative increase of 25%.

4) Lawsuit

Due to the Supreme Court's ruling in the lawsuits filed by the Firemen's and Police Retirement System, the Employees' System declared notice of its intent to seek similar court judgments for alleged shortfalls in the City's funding of the Employees System for fiscal years 2004 through 2007.

In response, the Board of Aldermen had authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Employees' System.

d. Component Unit—SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2007 contributions of $274, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2007, SLDC's current covered payroll was $3,046 and total payroll amounted to $3,255. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5 ½ % of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

11. COMPONENT UNIT—SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,309 retirees, while 1,399 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 12.6 cents for every $1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was $4,272 (in dollars) per retiree for healthcare and $10 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2007.

12. DEFERRED COMPENSATION PLAN

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

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

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 45,220	13,000	(3,400)	54,820	3,945
Section 108 Loan Guarantee Assistance Programs	63,670	—	(4,850)	58,820	2,740
Federal Financing Bank advances	725	—	(45)	680	50
Tax increment financing bonds and notes payable	69,786	55,158	(10,693)	114,251	4,079
Master note purchase agreement	81	—	(15)	66	—
Loan agreement with Missouri Department of Natural Resources	1,917	—	(459)	1,458	481
Loan agreement with Metro	1,000	—	(1,000)	—	—
Capital lease—rolling stock	7,206	6,014	(2,325)	10,895	2,046
Capital leases—obligations with component units	50,595	—	(440)	50,155	465
Leasehold revenue improvement and refunding bonds	323,469	27,725	(42,370)	308,824	25,381
Joint venture financing agreement	67,323	65,116	(67,323)	65,116	4,088
Unamortized discounts, premiums, and deferred amounts on refunding	(986)	(15)	(152)	(1,153)	—
Net pension obligation	62,711	29,589	—	92,300	—
Accrued vacation, compensatory, and sick time benefits	25,843	18,719	(17,073)	27,489	18,142
Landfill closure	228	7	(115)	120	120
Firemen's overtime payable	—	1,148	—	1,148	—
Claims and judgments payable	17,019	12,942	(13,617)	16,344	10,730
Governmental activities long-term liabilities	$ 735,807	229,403	(163,877)	801,333	72,267

Effective January 1, 2007, Missouri State Statutes, Section 290 revised the method in which overtime compensation is paid. Currently there is question as to how overtime earned by personnel of the fire department are effected by the change. Until the issue is solved by the court system, a long-term liability has been established.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation, compensatory and sick leave benefits, net pension obligations, and landfill closure costs are generally liquidated by the general fund.

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	$ 861,085	336,010	(353,175)	843,920	25,090
Net pension obligation	6,244	1,340	—	7,584	—
Other	1,650	—	(615)	1,035	—
Accrued vacation, compensatory, and sick time benefits	5,173	3,813	(3,325)	5,661	5,661
Unamortized discounts, premiums, and deferred amounts on refunding	15,769	6,365	(308)	21,826	—
Total Airport	889,921	347,528	(357,423)	880,026	30,751
Water Division:					
Revenue bonds payable	31,820	—	(2,645)	29,175	2,850
Customer deposits	1,904	484	—	2,388	—
Net pension obligation	4,070	827	—	4,897	—
Other	343	—	(53)	290	—
Accrued vacation, compensatory, and sick time benefits	3,195	1,740	(1,561)	3,374	3,374
Unamortized discounts, premiums, and deferred amounts on refunding	(1,117)	—	233	(884)	—
Total Water Division	40,215	3,051	(4,026)	39,240	6,224
Parking Division:					
Revenue bonds payable	64,537	57,900	(52,317)	70,120	1,475
Net pension obligation	1,290	265	—	1,555	—
Accrued vacation, compensatory, and sick time benefits	195	275	(299)	171	171
Unamortized discounts, premiums, and deferred amounts on refunding	(2,376)	(6,348)	2,498	(6,226)	—
Total Parking Division	63,646	52,092	(50,118)	65,620	1,646
Business-type activities long-term liabilities	$ 993,782	402,671	(411,567)	984,886	38,621

b. General Obligation Bonds

In June 1999, the City issued $65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of $64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of $695 sold to yield 5.15% and mature at $3,655 (collectively, the Series 1999 bonds). The proceeds of the Series 1999 bonds were to be used as follows: (i) $44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) $10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) $11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or

amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

On June 15, 2005, the City issued $37,555 in General Obligation Refunding Bonds, Series 2005, with an average interest rate of 4.48% to refund $37,710 in outstanding Series 1999 General Obligation Bonds with an average interest rate of 5.09%. The net proceeds of $39,621 (after the addition of a $2,645 premium and less a payment of $550 in issuance costs and a $29 discount), along with $642 of City funds, were deposited with the Escrow Agent to be applied on June 16, 2005 to the redemption of the Series 1999 bonds. After the refunding transaction, $10,215 in current interest Series 1999 bonds and $695 in capital appreciation Series 1999 bonds remained outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,911. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through year 2019 using the straight-line method, which approximates the effective interest method.

In November 2006, the City issued $13,000 General Obligation Bonds, Series 2006. The series consists of current interest serial bonds due 2008 through 2026 with rates ranging from 3.75% to 4.2%. The Series 2006 bonds were issued for the purpose of providing funds to (i) replace, improve, and maintain the City's radio system used by the Police Department, Fire Department, Emergency Medical Services, and other City departments; (ii) reconstruct, repair, and improve major streets, bridges, and the City's flood wall where federal funding is available and local funding is required. The City shall levy an ad valorem tax on all taxable, tangible property in the City, without limit as to rate or amount, for the payment of the principal of and interest on the Series 2006 bonds. The principal and interest on the Series 2006 bonds is guaranteed under a municipal bond new issue insurance policy issued by MBIA Insurance Corporation. Principal payments are made from other governmental funds.

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2008	$	3,945	2,376	6,321
2009		1,085	5,146	6,231
2010		3,490	2,171	5,661
2011		3,615	2,056	5,671
2012		3,730	1,940	5,670
2013 – 2017		21,475	6,985	28,460
2018 – 2022		13,050	2,098	15,148
2023 – 2026		4,430	475	4,905
	$	54,820	23,247	78,067

c. Section 108 Loan Guarantee Assistance Programs

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

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

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

The five-year, $10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements, and public improvements. Final payment was made during fiscal 2007.

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

		Principal	Interest	Total
Year ending June 30:				
2008	$	2,740	3,557	6,297
2009		2,920	3,402	6,322
2010		3,110	3,234	6,344
2011		3,300	3,051	6,351
2012		3,500	2,855	6,355
2013 – 2017		21,090	10,701	31,791
2018 – 2021		22,160	3,023	25,183
	$	58,820	29,823	88,643

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:				
2008	$	50	45	95
2009		50	42	92
2010		55	38	93
2011		60	35	95
2012		65	30	95
2013 – 2017		400	74	474
	$	680	264	944

e. Tax Increment Financing Bond and Notes Payable

In 1991, the City issued $15,000 in tax increment financing (TIF) bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any moneys legally available in the City's general fund. During 2006, $620 of payments in lieu of taxes and $679 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

In 2007, the City issued $16,961 Taxable Tax Increment Financing Revenue Notes (600 Washington Redevelopment Project 1 One City Centre Component) Series 2007 (Series 2007 TIF Notes). The Series 2007 TIF Notes constitute special obligations of the City, and are payable from (a) certain moneys on deposit in the Special Allocation Fund (payments in lieu of taxes, economic activity tax revenue), (b) Municipal Revenues and (c) City Revenues, which constitute other legally available funds of the City's general fund in the amount equal to pay the principal and interest on the TIF note. Payments commence on March 1, 2008. The Series 2007 TIF Notes bear interest at the rate of 6.75% per year, mature on September 1, 2029, and are subject to mandatory redemption prior to maturity.

Additionally, from time to time, the City issues tax increment financing bonds and notes payable to developers in conjunction with various redevelopment projects throughout the City. These are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City moneys are pledged to repay these bonds and notes and, should these financing sources be insufficient to repay the bonds and notes prior to their stated maturity dates, the City's obligation under the bonds and notes will cease. As of June 30, 2007, the City had $114,251 in TIF bonds and notes payable outstanding, at interest rates ranging from 5.5% to 10.0%, payable in various installments through 2029. The City issued $55,158 in TIF bonds and notes payable during fiscal year 2007.

Principal and interest requirements for the tax increment financing debt issues are as follows:

	General Fund Backed TIF Bonds and Notes		Additional TIF Bonds and Notes	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2008	$ 1,275	1,835	2,804	6,288
2009	1,405	1,536	2,995	6,097
2010	1,545	1,389	3,200	5,893
2011	1,665	1,228	3,419	5,674
2012	—	1,145	3,653	5,440
2013 – 2017	—	5,724	20,236	23,286
2018 – 2022	221	5,724	26,772	15,558
2023 – 2027	1,893	5,439	26,561	5,936
2028 – 2029	14,847	2,420	1,760	133
	$ 22,851	26,440	91,400	74,305

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, 2007, the balance of the note outstanding is $66.

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

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

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR.

In December 2005, the City entered into another agreement with the Missouri DNR (pursuant to the Energy Efficiency Leverage Loan Program) for the amount of $782 of which $9 was loan origination fee and the remaining $773 was the actual proceeds. The proceeds will be utilized for the purchase and installation of signal and walk lights throughout various locations in the City. The payments are due in semi-annual installments from 2007 to 2013 with an annual interest rate of 2.85%.

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

		Principal	Interest	Total
Year ending June 30:				
2008	$	481	47	528
2009		499	28	527
2010		158	13	171
2011		125	8	133
2012		127	5	132
2013		68	1	69
	$	1,458	102	1,560

h. Loan Agreement With Metro

In July 2004, the City entered into an agreement with Bi-State Development Agency of Missouri-Illinois Metropolitan District doing business as Metro. The agreement provided for Metro to advance the City $1,000, interest free, for the replacement of the Landowne Bridge over River Des Peres. The City repaid Metro on December 31, 2006 by appropriating funds in fiscal years 2005 and 2006.

i. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Due to other governmental agencies	$ 8,785	3,991	2,363	10,413	3,785
Notes payable	2,073	2,364	—	4,437	—
Other liabilities	3,743	4,182	2,106	5,819	1,587
Revenue bonds	12,775	—	310	12,465	335
	$ 27,376	10,537	4,779	33,134	5,707

Maturities on notes payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2008	$ —	138	138
2009	2,736	127	2,863
2010	960	82	1,042
2011	741	31	772
	$ 4,437	378	4,815

Revenue bonds outstanding at June 30, 2007 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of $2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%.

The Series 1999B bonds with an original issue amount of $8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East Parking Garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%.

The Series 1999C bonds with an original issue amount of $3,040 are due September 1, 2024. Bond proceeds were to repay an LCRA note payable and construct a parking lot on property in the St. Louis Centre Development Area. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a

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:						
2008	$ 335	86	—	569	—	214
2009	365	55	—	569	—	214
2010	425	19	220	562	—	214
2011	—	—	430	541	—	214
2012	—	—	455	512	—	215
2013 – 2017	—	—	2,745	2,050	—	1,072
2018 – 2022	—	—	4,450	635	615	1,050
2023 – 2025	—	—	—	—	2,425	285
	$ 1,125	160	8,300	5,438	3,040	3,478

j. Component Unit— SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due within One Year
Accrued banked overtime, vacation, and sick time leave	$ 28,037	10,457	10,361	28,133	8,003
Capital lease obligation	3,189	—	1,249	1,940	1,940
Workers' compensation	40,786	3,918	4,347	40,357	5,103
Net pension obligation	5,942	1,175	—	7,117	—
	$ 77,954	15,550	15,957	77,547	15,046

Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (MEDB). In June 1994, the MEDB issued $13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). In February 2003, the Industrial Development Authority of the St. Louis Development Corporation (IDA) issued $6,665 in Series 2003 Leasehold Refunding Revenue Bonds (Series 2003 Bonds). Proceeds from the Series 2003 bonds were used to defease the previously issued Series 1994 Bonds.

The IDA acquired the police patrol buildings from the MEDB and leased them to SLPD in a lease purchase agreement dated February 1, 2003. Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. The Series 2003 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below:

		Principal	Interest	Total
Year ending June 30:				
2008	$	1,945	21	1,966
		1,945	21	1,966
Unamortized premium		8		
Unamortized deferred amount on refunding		(39)		
	$	1,914		

Automotive Equipment

In September 2005, the SLPD entered into a lease-purchase agreement for the purchase of automotive equipment. Upon conclusion of the lease, the SLPD will attain title to the equipment. The SLPD's future lease payments under this lease-purchase are as follows:

		Principal	Interest	Total
Year ending June 30:				
2008	$	26	1	27
	$	26	1	27

14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of $9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of $7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%.

In June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by $4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

On July 7, 2004, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by $851 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2005 through 2007 with an annual interest rate of 3.19%.

In September 2005, the City amended its capital lease agreement with Chase Equipment Leasing Inc. resulting in new debt of $942. This capital lease agreement is included as part of the capital lease agreement entered into in March of 2000. The proceeds of the lease are to be used to purchase computer equipment. The lease agreement payments are due in semi annual installments from 2006 through 2009 with an annual interest rate of 3.9%.

In February 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of $1,048. The proceeds of the lease are to be used to purchase equipment for a new 911 emergency system. The lease agreement payments are due in semi annual installments from 2007 to 2011 with an annual interest rate of 4.88%.

In September 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of $6,014. The proceeds of the lease are to be used to purchase additional rolling stock. This portion of the capital lease is due in semi annual installments from 2007 through 2012 with an annual interest rate of 4.0534%.

Principal payments of $2,325 were made on these lease agreements in fiscal year 2007. The following is a schedule of future minimum lease payments as of June 30, 2007.

Year ending June 30:		
2008	$	2,499
2009		2,181
2010		1,889
2011		1,766
2012		1,527
2013 – 2017		2,508
2018		388
Total future minimum lease payments		12,758
Amount representing interest		(1,863)
Present value of net minimum lease payments	$	10,895

Capital assets (equipment) of $16,763 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Lease—Kiel Site Project—Obligation with Component Unit

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of $13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund.

The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2007.

Year ending June 30:		
2008	$	973
2009		970
2010		944
2011		996
2012		966
2013 – 2017		4,834
2018 – 2022		4,896
Total future minimum lease payments		14,579
Amount representing interest		(4,424)
Present value of net minimum lease payments	$	10,155

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

c. Capital Lease—Convention Center Hotel—Obligation with Component Unit

The City is subject to a Third Supplemental and Restated Lease Purchase Agreement (the Agreement) between the City, SLMFC, and SLDC, whereby SLMFC leases the Convention Center to the City. In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of $40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds. The City's obligation to make these lease payments to SLDC is subordinate to the City's obligation to meet the debt service requirements of the Series 1993A and Series 2003 Convention Center Leasehold Revenue Bonds (see note 15).

The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the capital projects fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the capital lease as of June 30, 2007.

Year ending June 30:		
2008	$	—
2009		—
2010		—
2011		—
2012		3,525
2013 – 2017		50,870
2018 – 2020		45,885
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, 2007, only the compound interest bonds of the Series 1993A Bonds remain outstanding.

On May 26, 2005, the SLMFC issued Series 2005A and B Compound Interest Leasehold Revenue Bonds in the amount of $44,997 for the purpose of providing funding for the construction of the Convention Center Hotel, in addition to making debt service payments for other ongoing projects, within the vicinity of the Convention Center. Principal payments plus compounded interest (4.66%) will be made July 15, 2021 through 2030. The final maturity amounts on bonds are $54,050 and $62,430 for the Series 2005A and 2005B, respectively.

c. Justice Center

In August 1996, the SLMFC issued $75,705 in Leasehold Revenue Improvement Bonds, Series 1996A (Series 1996A Bonds) and $34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996B (Series 1996B Bonds) (collectively, the 1996 Justice Center Bonds). The Series 1996A Bonds include serial bonds in the principal amount of $20,155 and term bonds in the principal amount of $55,550. The Series 1996B Bonds include serial bonds in the principal amount of $23,500 and term bonds in the principal amount of $10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the 1996 Justice Center Bonds, which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC Financial Group, Inc. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996A Bonds were used to construct the City Justice Center, which replaced the former municipal jail that has been demolished and will house a total of 732 prisoners. The facility is a major addition to the City's justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued $22,025 in City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds, bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds, bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment

prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City on February 15, 2010, and, at any time thereafter, as a whole at any time, in part at any time, and if, in part, in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101%, plus accrued interest thereon, to the redemption date.

On September 1, 2001, the SLMFC issued $62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund $58,115 of Series 1996A Bonds with an average interest rate of 5.93%. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements.

On September 1, 2005, the SLMFC issued $15,485 in Justice Center Leasehold Revenue Refunding Bonds, Series 2005 with an average interest rate of 4.56% to advance refund $14,360 in Series 2000A Leasehold Revenue Bonds with an average interest rate of 6.09%.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund.

d. Forest Park

On December 1, 2004, the SLMFC issued $16,400 in Leasehold Revenue Refunding Bonds (Series 2004) with an average interest rate of 4.23% to advance refund $16,120 of outstanding Series 1997 Forest Park Leasehold Revenue Improvement Bonds with an average interest rate of 5.45%. As a result, the Series 1997 bonds are considered defeased, and the liability for those bonds have been removed from the financial statements.

e. Firemen's System

On April 1, 1998, the SLMFC issued $28,695 in Firemen's Retirement Systems Lease Revenue Bonds, Series 1998 (Series 1998 Bonds). Interest is paid semiannually on the bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation, to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the general fund.

The proceeds derived from the sale of the Series 1998 Bonds were used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

f. Carnahan Courthouse

On October 1, 2006, the SLMFC issued $23,725 Leasehold Revenue Refunding Bonds, Series 2006A (Series 2006A) with an average interest rate of 4.23% to refund the $21,750 Carnahan Courthouse Leasehold Revenue Bonds Series 2002A (series 2002A) with an average interest rate of 5.37%. The net proceeds of $22,830 (after deduction of $321 discount and less payment of $560 in issuance costs) were used to purchase investments that mature at the same times and in such amounts as will be sufficient to pay the principal of the redemption premium, if any and the accrued interest on all of the Series 2002A Bonds being redeemed.

The City's payments are secured by a pledge agreement between the City and the Series 2006A Bonds trustee. The City's payments are further insured by the AMBAC Assurance Corporation.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,080. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through 2027 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 2002A bonds to reduce its total debt service payments over the next 10 years by approximately $742 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $687.

g. Abram Building

In June 2007, the SLMFC issued $4,000 in Abram Building Leasehold Revenue Bonds Series 2007 with an interest rate of 4.15%. The proceeds of the bonds are being used to fund the cash portion needed to purchase the Abram Federal Building.

h. 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:				
2008	$ 2,075	677	$ 2,475	629
2009	2,155	589	2,635	465
2010	2,255	493	2,805	288
2011	2,360	381	2,990	98
2012	2,465	270	—	—
2013 – 2015	5,265	196	—	—
	$ 16,575	2,606	$ 10,905	1,480

	Justice Center		Forest Park	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2008	$ 6,285	4,836	$ 760	610
2009	6,620	4,507	785	587
2010	6,925	4,202	805	563
2011	7,250	3,875	835	533
2012	11,025	3,528	865	508
2013 – 2017	34,285	10,420	4,850	2,001
2018 – 2022	25,555	1,027	6,045	803
	$ 97,945	32,395	$ 14,945	5,605

	Carnahan Courthouse		Convention Center	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2008	$ —	974	$ 13,445	4,277
2009	—	974	11,675	3,688
2010	15	974	12,915	3,094
2011	160	974	14,035	2,428
2012	170	968	9,940	1,818
2013 – 2017	5,405	4,471	33,722	9,194
2018 – 2022	7,790	3,124	8,967	10,437
2023 – 2027	10,185	1,386	24,047	36,627
2028 – 2030	—	—	11,983	24,418
	$ 23,725	13,845	$ 140,729	95,981

	Abram Building	
	Principal	**Interest**
Year ending June 30:		
2008	$ 341	151
2009	343	148
2010	358	134
2011	372	119
2012	388	103
2013 – 2017	2,198	259
	$ 4,000	914

16. JOINT VENTURE FINANCING AGREEMENT

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

In April 1990, the Authority was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase, or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

b. Series C 2007 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of $60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's $132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's

$65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds, and the Series C 1991 Bonds (collectively, the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project).

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of $61,285. The proceeds were used to refund, in advance of maturity, $47,155 of the Series C 1991 bonds.

In May 2007, the Authority issued Convention and Sports Facility Project Refunding Bonds Series C 2007 (Series C 2007 Bonds) in the amount of $49,585. The proceeds were issued for the purpose of (i) providing funds to refund all of the Authority's $61,285 original principal amount of Series C 1997 Bonds, and (ii) for the City to make various project improvements to the Cervantes Convention Center in the amount of $2,421.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,054. This difference, reported in the accompanying financial statements as an increase of bonds payable, is being charged to operations through 2022 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series C 1997 bonds to reduce its total debt service payments over the next 10 years by approximately $2,084 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $906.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of $2,500 and preservation payments of $500 regardless of the principal and interest payments due.

At June 30, 2007, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

		Principal	Interest	Preservation Payments	Total
Year ending June 30:					
2008	$	970	1,912	3,118	6,000
2009		2,440	2,488	1,072	6,000
2010		2,565	2,357	1,078	6,000
2011		2,700	2,219	1,081	6,000
2012		2,840	2,073	1,087	6,000
2013 – 2017		16,610	7,903	5,487	30,000
2018 – 2022		21,460	2,932	2,608	27,000
	$	49,585	21,884	15,531	87,000

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

17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2007 are summarized as follows:

Bond Series 1996, interest rate of 5.35%, payable in varying amounts through 2008	$	4,275
Bond Series 1997, interest rates ranging from 5.25% to 6.00%, payable in varying amounts through 2015		39,575
Bond Series 1998, interest rates ranging from 4.00% to 5.13%, payable in varying amounts through 2016		54,330
Bond Series 2001A, interest rates ranging from 4.13% to 5.50%, payable in varying amounts through 2012		30,810
Bond Series 2002, Series A, B, and C, interest rates ranging from 3.00% to 5.50%, payable in varying amounts through 2033		44,885
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019		70,340
Bond Series 2005, interest rate ranging from 4.00% to 5.50%, payable in varying amounts through 2032		263,695
Bond Series 2007A, interest rate ranging from 4.00% to 5.25%, payable in varying amounts through 2033		231,275
Bond Series 2007B, interest rate ranging of 5.00%, payable in varying amounts through 2028		104,735
		843,920
Less:		
Current maturities		(25,090)
Unamortized discounts and premiums		60,906
Deferred amounts on refunding		(39,080)
	$	840,656

Interest payments on the above issues are due semiannually on January 1 and July 1.

On January 23, 2007, the Airport issued $231,275 in Series 2007A Revenue Refunding Bonds with an average interest rate of 4.88 percent to advance refund $178,395 of outstanding 2001A Series Revenue Refunding bonds, and $54,670 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.07 percent. The net proceeds of $241,933 (after the addition of a net issue premium of $15,798 and payment of $5,140 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, $178,395 of 2001A Series Revenue Refunding bonds, and $54,670 of 2002A Series Revenue Refunding bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding with the Series 2007A Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $11,455. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is

being charged to operations through the year 2032 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 25 years by $8,641 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $7,238.

On April 3, 2007, the Airport issued $104,735 in Series 2007B Revenue Refunding Bonds with an average interest rate of 4.93 percent to advance refund $106,150 of outstanding 1997B Series Revenue Refunding bonds with an average interest rate of 5.25 percent. The net proceeds of $108,766 (after the addition of a net issue premium of $6,324 and payment of $2,294 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, $106,150 of 1997B Series Revenue Refunding bonds is considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding with the Series 2007B Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,399. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2014 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 20 years by $8,018 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $5,754.

On July 7, 2005, the Airport issued $263,695 in Series 2005 Revenue Refunding Bonds with an average interest rate of 5.47 percent to advance refund $37,575 of outstanding 1997A Series Revenue Refunding bonds, $225,980 of outstanding 2001A Series Revenue Refunding bonds, and $10,400 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.31 percent. The net proceeds of $293,331 (after the addition of a net issue premium of $39,522 and payment of $9,886 in underwriting fees, insurance, and other issuance costs) plus an additional $6,095 of 1997A and 2001A Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $23,812. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 25 years by $16,536 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3,432.

The deferred amounts on refunding of $39,080 at June 30, 2007, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1997A, Bond Series 1997B, Bond Series 2000, Bond Series 2001A, Bond Series 2002A, Bond Series 2003A, and Bond Series 2003B and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

Management of the Airport is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2007.

As of June 30, 2007, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

		Principal	Interest	Total
Year ending June 30:				
2008	$	25,090	40,841	65,931
2009		21,725	41,731	63,456
2010		21,670	40,594	62,264
2011		24,015	39,380	63,395
2012		25,965	38,061	64,026
2013 – 2017		178,150	165,378	343,528
2018 – 2022		182,485	116,889	299,374
2023 – 2027		180,710	71,700	252,410
2028 – 2032		177,510	24,919	202,429
2033		6,600	148	6,748
	$	843,920	579,641	1,423,561

In the current and prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2007, $664,875 of outstanding revenue bonds are considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2007 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1998 Water Revenue Bonds, 4.10% to 4.75%		
Payable in varying amounts through July 1, 2014	$	29,175
Less:		
Current maturities		(2,850)
Deferred amount on refunding		(828)
Unamortized discounts		(56)
	$	25,441

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

		Principal	Interest	Total
Year ending June 30:				
2008	$	2,850	1,169	4,019
2009		3,300	1,032	4,332
2010		3,440	887	4,327
2011		3,585	732	4,317
2012		3,740	567	4,307
2013 – 2015		12,260	595	12,855
	$	29,175	4,982	34,157

c. Parking Division

Revenue bonds outstanding at June 30, 2007 are as follows:

SLPCFC Series 2003A tax-exempt revenue bonds interest rates variable not to exceed 12% payable in varying amounts through 2028	$	5,560
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceed 5% payable in varying amounts through 2038		6,660
Series 2006 revenue bonds interst ranging from 3.75% to 5.14% payable in varying amounts through 2031		57,900
		70,120
Less:		
Current maturities		(1,475)
Unamortized discount and deferred loss on refunding		(6,226)
	$	62,419

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

		Principal	Interest	Total
Year ending June 30:				
2008	$	1,475	3,209	4,684
2009		1,546	3,136	4,682
2010		1,624	3,060	4,684
2011		1,708	2,981	4,689
2012		1,794	2,897	4,691
2013 – 2017		10,476	13,100	23,576
2018 – 2022		13,183	10,582	23,765
2023 – 2027		16,388	7,274	23,662
2028 – 2032		19,389	3,137	22,526
2033 – 2037		2,129	423	2,552
2028		408	20	428
	$	70,120	49,819	119,939

On December 14, 2006, the Parking Division issued $46,250 in Series 2006A Parking Revenue Tax-Exempt Bonds and $11,650 in Series 2006B Parking Revenue Taxable Bonds. The bonds

were issued for the purpose of current refunding the outstanding Series 1996 and Series 1999 parking revenue bonds, and advance refunding the outstanding Series 2002 parking revenue bonds to achieve present value savings, provide debt service relief, modernize and streamline the issuance of future revenue bonds, fund the construction of the Euclid/Buckinghom Garage, fund the Series 2006A and Series 2006B debt service reserves, and to fund the bond insurance premium and other costs of issuance of the Series 2006A and 2006B bonds. The bond series refunded and the amount outstanding were:

1) Parking Revenue Refunding Bonds, Series 1996 – $22,085

2) Parking Revenue Bonds (Argyle Project), Series 1999 – $9,805

3) Subordinated Parking Revenue Bonds (Downtown Parking Facilities), Series 2002 – $20,170

A portion of the net proceeds from the Series 2006A and Series 2006B issuance in the amount of $53,685, plus an additional $924 from the Series 2002 Revenue Bonds debt service reserve monies, $312 from the Series 2002 Revenue Bonds debt service reserve fund, and $275 from the Series 1999 Revenue Bonds debt service reserve funds were deposited into an irrevocable trust with an escrow agent to current refund the Series 1996 and Series 1999 Bond issuances on December 15, 2006, and to advance refund the Series 2002 Bond issuance on February 1, 2012. Therefore, as of June 30, 2007, the Series 1996, Series 1999, and Series 2002 bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of June 30, 2007, $19,270 and $0, respectively, of defeased Series 2002 Bonds remain outstanding.

The current and advance refundings resulted in a difference between the reaquisition price and the net carrying amount of the old debt of $7,029. This difference is reported as a deduction from bonds payable and is being charged to operations over the life of the new bond issue using the straight-line method, which approximates the effective interest method.

The current and advance refunding increases total debt service payments over the life of the Series 2006A and Series 2006B bond issuances by $5,745, and results in an economic gain (difference between the present values of the old and new debt service payments) of $2,102.

On November 20, 2003, the SLPCFC issued $6,730 in Series 2003A Tax-Exempt Parking Revenue Bonds at a variable interest rate not to exceed 12% and $6,882 in Series B Taxable Parking Revenue Bonds at a variable interest rate not to exceed 5% for the purpose of purchasing the Cupples Garage located in downtown St. Louis. The net proceeds of the bonds were $13,127, after the deduction of $485 in underwriting fees and issuance costs. The Series 2003 A and Series 2002B bonds are secured solely by the net revenues of the Cupples Garage and do not constitute a general obligation of the Parking Division or the City.

18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Issued	Redeemed	Balance June 30, 2007
Tax revenue anticipation notes	$ —	36,000	(36,000)	—

b. Airport

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed $125,000 outstanding at any one time. As of June 30, 2007, commercial paper of $1,000 was outstanding. This commercial paper bore interest at rate of 3.85% and was due on September 5, 2007.

Following is a summary of the changes in commercial paper payable for the Airport for the year ended June 30, 2007:

	Balance June 30, 2006	Issued	Redeemed	Balance June 30, 2007
Commerical paper payable	$ 1,000	7,000	(7,000)	1,000

19. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport and Water Division have entered into 10 forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport and Water Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates. During the year ended June 30, 2007, the Parking Division terminated the forward purchase agreement it had entered into in association with the Series 1996 bonds due to the bond's defeasance.

b. Terms

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

	Airport I	Airport II	Airport III	Airport IV	Airport V	Airport VI
Date of origin	June 1995	September 1997	October 2000	December 2003, as amended July 2005	December 2003, as amended January 2007	December 2003, as amended July 2005 and January 2007
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997 A, Series 2005 debt service reserve	Series 1997B, Series 2007B, debt service	Series 2001A, Series 2005, Series 2007A debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.34%	5.35%	Series 2001: 5.432% Series 2005: 5.432% Series 2007A: 5.440%
Lump-sum payment received at beginning of agreement	$7,209	N/A	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	2007	2008	2027	2014	2031
Notional amount (representing balance in applicable accounts)	$5,514	N/A	$7,034	$1,015	$2,284	$13,751
Obligation (representing the unamortized portion of lump-sum payment) recorded on the statement of fund net assets at June 30, 2007	$840	N/A	N/A	N/A	N/A	N/A

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

	Airport VII	Airport VIII	Airport IX	Water Division
Date of origin	December 2003, as amended July 2005 and January 2007	December 2003	December 2003	February 1996
Underlying bond account(s)	Series 2002A, Series 2005 debt services	Series 2002B debt service	Series 2003A debt service	Series 1994 and Series 1998 debt service
Guaranteed interest rate	5.473%	5.332%	5.579%	6.200%
Lump-sum payment received at beginning of agreement	N/A	N/A	N/A	$941
Date of termination (upon maturity of bond series)	2020	2032	2018	2014
Notional amount (representing balance in applicable accounts)	$706	$1,393	$6,165	$3,559
Obligation (representing the unamortized portion of the initial lump-sum payment) recorded on the statement of fund net assets at June 30, 2007	N/A	N/A	N/A	$290

In January 2007, the Airport's forward purchase agreement VI and VII were amended to replace the defeased portions of Bond Series 2001A and Bond Series 2002B with Bond Series 2007A. No payments were made in consideration of this amendment.

In April 2007, the Airport's forward purchase agreement V was amended to replace Bond Series 1997B with Bond Series 2007B. No payments were made in consideration of this amendment.

In April 2007, forward purchase agreement II was terminated with the issuance of the Series 2007B Bonds. No payments were made in consideration of this amendment.

In July 2005, the Airport's forward purchase agreements IV, VI, and VII were amended to replace Bond Series 1997A, Bond Series 2001A, and Bond Series 2002A, respectively, with Bond Series 2005 bonds. No payments were made in consideration of this amendment.

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

For the Airport forward purchase agreements III through IX, the City has contracted to buy qualified eligible securities from a financial institution on a semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the City is required to refund the differential to the financial institution, if a lesser rate is earned, the financial institution absorbs the loss.

c. Fair Value

As disclosed above, the City's obligations associated with Airport forward purchase agreement I and the Water Division forward purchase agreement are recorded on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump-sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2007, these fair values are as follows:

Agreement	Fair Value
Airport III	$ 186
Airport IV	85
Airport V	78
Airport VI	1,548
Airport VII	34
Airport VIII	68
Airport IX	254

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2007 for a U.S. Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed, and multiplied by the securities

required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2007 for a U.S. Treasury obligation with a comparable length of time remaining until maturity.

d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport and the Water Division to the financial institutions as of June 30, 2007. Should the financial institutions fail to perform according to the terms of the agreement, the Airport and the Water face a maximum possible loss equivalent to the agreements' fair value.

e. Interest Rate Risk

The forward purchase agreement exposes the Airport and the Water Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, the Water Division would realize this increase in investment earnings.

f. Termination Risk

Should the Airport or the Water Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination. During the fiscal year 2007, the Parking Division terminated a forward purchase agreement when the 1996 bonds were refunded. When the termination took place, the fair value of the forward purchase agreement was negative. The Parking Division was required to pay a termination payment in the amount of $360 to the financial institution, which is recorded as part of nonoperating expenses.

20. OPERATING LEASES

a. At June 30, 2007, the City was committed under miscellaneous operating leases for office space and equipment. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:	
2008	$ 1,342
2009	923
2010	486
2011	440
2012	441
2013 – 2017	2,274
2018 – 2022	250
2023 – 2027	250
2028 – 2032	38
	$ 6,444

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

Effective January 1, 2006, the Airport entered into new long-term use and lease agreements with signatory air carriers that expires on June 30, 2011. The previous long-term use and lease agreements with signatory air carriers expired on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue—airfield.

- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue—terminal and concourses, hangars and other buildings, or cargo buildings, respectively.

- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2007, revenues from signatory air carriers accounted for 59% of total Airport operating revenues.

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

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2007:

		Signatory	Non-signatory	Total
Airfield	$	52,721	9,857	62,578
Terminal and concourses		19,491	2,446	21,937
Hangars and other buildings		764	29	793
Cargo buildings		673	68	741
	$	73,649	12,400	86,049

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

Year ending June 30:	
2008	$ 19,770
2009	14,473
2010	8,966
2011	7,484
2012	7,000
2013 – 2017	12,900
2018 – 2022	7,859
2023 – 2027	3,562
2028 – 2032	3,562
2033 – 2037	1,781
Total minimum future rentals	$ 87,357

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to $5,895 for the year ended June 30, 2007.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2010. Expenses for operating leases and service agreements were $3,592 for the year ended June 30, 2007. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:	
2008	$ 126
2009	71
2010	42
2011	7
Total minimum future rentals	$ 246

c. Component Unit—SLDC

In December 1996, SLDC signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of $38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to $47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017.

Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:		
2008	$	255
2009		255
2010		255
2011		255
2012		270
2013 – 2017		1,405
	$	2,695

Rent expenditures, net rents received of $443, were $306 during the year ended June 30, 2007.

Additionally, at June 30, 2007, SLDC was committed through February 2012 under an original 25-year operating lease with the City, which requires annual rental payments of $1 (in dollars) for certain property. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

21. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2007 are as follows:

Receivable Fund	Payable Fund		Amount
General fund	Special revenue—grants fund	$	9,667
	Capital projects fund		6,067
	Other governmental nonmajor funds		2,362
	Enterprise:		
	Airport		1,648
	Water Division		793
	Parking Division		1,232
	Internal service funds		627
			22,396
Other governmental nonmajor funds	General fund		1,190
	Special revenue—grants fund		5,051
	Capital projects fund		225
	Other governmental nonmajor funds		557
			7,023
Internal service funds	General fund		82
	Enterprise:		
	Airport		2,122
	Water Division		1,539
	Parking Division		190
			3,933
		$	33,352

All of these interfund balances are due to either timing differences or due to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2008.

Advances to/from other funds as of June 30, 2007 are as follows:

General fund (Advance to internal service fund)	$12,121
Internal Service fund (Advance from General fund)	$12,121

22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007 consisted of the following:

		Transfer To					
		General Fund	**Capital Projects Fund**	**Other Govern-mental Funds**	**Water Division**	**Parking Division**	**Total**
Transfer From	General fund	$ —	13,143	1,550	—	—	14,693
	Capital Projects fund	80	—	—	—	—	80
	Other Governmental Funds	10,510	7,152	—	235	1,058	18,955
	Airport	5,553	—	—	—	—	5,553
	Water Division	2,625	—	—	—	—	2,625
	Parking Division	1,000	—	—	—	—	1,000
		$ 19,768	20,295	1,550	235	1,058	42,906

Interfund transfers were used to: (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

23. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant moneys in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program moneys. Through June 30, 2007, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

b. Landfill Closure

Pursuant to the original agreement between the DNR and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of $4,174 with DNR as the beneficiary. DNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2007, no amounts had been drawn against the letter of credit by DNR. At June 30, 2007, $120 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs. In April 2007, the City notified DNR of completion of the project and is awaiting final acceptance by the state.

c. Commitments

At June 30, 2007, the City had outstanding commitments amounting to approximately $60,072, resulting primarily from service agreements.

Additionally, at June 30, 2007, the Airport had outstanding commitments amounting to approximately $49,528 resulting primarily from contracts for construction projects both related and unrelated to the W–1W expansion project.

d. American Airlines and Southwest Airlines

American Airlines (American) and Southwest Airlines (Southwest) represent the major air carriers providing air passenger service at the Airport.

American provided 22% of the Airport's total operating revenues and 36% of total revenues from signatory air carriers for the fiscal year ended June 30, 2007. Accounts receivable at June 30, 2007 contained of $2,859 relating to amounts owed to the Airport by American. These amounts include $1,525 of unbilled aviation revenues at June 30, 2007.

In 1993, the City purchased from Trans World Airlines, Inc. (TWA) all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities, and improvements at the Airport, together with related personal property, leasehold interest in a hangar and office building, and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

Under the lease agreement, if during any month American has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that American would retain only the number of gates that represents an average of 3.33 daily flight departures per gate. In addition, under the lease agreement, if American fails to make a payment of any rents, fees, or charges, the City may terminate all of American's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was $0 for the years ended June 30, 2007. The agreement expired on December 31, 2005.

Southwest provided 20% of the Airport's total operating revenues and 30% of total revenues from signatory air carriers for the fiscal year ended June 30, 2007. Accounts receivable at June 30, 2007 contained of $2,937 relating to amounts owed to the Airport by Southwest. These amounts include $1,564 of unbilled aviation revenues at June 30, 2007.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the FAA for the W–1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed $2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 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 of this program will be funded with Airport development funds, passenger facilities charges, FAA improvement program grants, and Airport revenue bonds. During fiscal year 2001, the Series 2000 LOI Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 LOI Double Barrel Revenue Bonds and to provide additional financing for the project.

Lawsuits previously filed by the cities of St. Charles and Bridgeton, Missouri challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport. As of June 30, 2007, land acquisition activities relative to the W–1W expansion project are complete.

f. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

g. Component Unit—SLDC

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

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

SLDC has entered into various cooperative agreements with the CDA as a subrecipient/administrator of the Community Development Block Grant Programs. The purpose of these grants and contracts is to provide support for economic development in the City.

SLDC has been awarded federal tax credits through the U.S. Department of Treasury's New Markets Tax Credit Program to support $52,000 in private investments in low-income areas. The entire $52,000 of tax credits had been allocated to seven entities of which six of the transactions has closed as of June 30, 2007. SLDC has received administrative and sponsor fees totaling $2,325 as of June 30, 2007. SLDC has incurred $786 of related legal, accounting, and financial start-up expenses and recorded $786 of revenue as of June 30, 2007. SLDC is holding the remaining amount of $1,538 in cash and investments with a corresponding liability recorded to be recognized as revenue when expenses or program initiatives to the NMTC are incurred.

h. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state, and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the contract and grant agreements and are subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2007.

24. RISK MANAGEMENT

a. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and prescription drug coverage. Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is $300 per person and $2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of $15,765 at June 30, 2007, relating to these matters is recorded in the self-insurance internal service fund—PFPC. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

The City was also self-insured for healthcare coverage for its employees and retirees through June 12, 2004 and June 30, 2004, respectively. The City was self-insured for healthcare coverage for employees of Harry S. Truman Restorative Center (HSTRC) and Tower Grove Park through June 30, 2004. Effective June 13, 2004, for employees of the City and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park, the City elected to purchase commercial insurance for its previously self-insured health insurance program. The City remains self-insured for the prescription drug coverage provided to employees and retirees. Additionally, the City is still self-insured for any healthcare claims that arise from incidents occurring prior to June 13, 2004 for employees and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park.

For the period the City was self-insured for healthcare coverage, it paid the cost of the lowest available coverage for all City employees. Employees were required to pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for coverage of a spouse and/or dependents. Retirees and employees of HSTRC and Tower Grove Park had to contribute a monthly amount to cover the cost of their healthcare if participating in the plan. During the self-insured period, all funding levels were actuarially determined at the start of the plan and reevaluated at the beginning of each fiscal year.

For healthcare coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of $579 at June 30, 2007 relating to such matters is recorded in the self-insurance internal service fund—health.

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2007 and, for the years ended June 30, 2007, 2006, and 2005 settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2007 and 2006 are as follows:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2007	$ 17,019	12,942	(13,617)	16,344
2006	17,404	14,161	(14,546)	17,019

Additionally, there is an estimate of general liability claims outstanding of $6,657 to $6,682, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimate able.

b. Component Unit—SLPD

SLPD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. A number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty.

During fiscal year 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, the SLPD is an agency of the state. As an agency of the state, the SLPD was covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions occurring prior to August 28, 2005. On August 28, 2005, Missouri legislations became effective modifying the coverage provided to the SLPD by the State of Missouri for general liability and various other claims and legal actions. State of Missouri Bill No. 420 provides that the State of Missouri is liable annually for funding general liability claims on an equal share basis per claim with the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, up to a maximum of $1,000. The SLPD is covered by PFPC for most self-insured risks, including general liability and various other claims and legal actions, exceeding the limitations set forth by the enacted legislation. Accounting for and funding of these self-insured risks is generally covered by the City. As of June 30, 2007, $200 of claims with a reasonable possibility of adverse outcome were not covered by the City. No amounts have been accrued within the accompanying financial statements for these claims.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2007, these liabilities amounted to $40,357 for workers' compensation. Of SLPD's total worker's compensation liability, $32,985 has been accrued for benefits to be paid for long-term medical care for two officers seriously injured in the line of duty. Benefit payments for these two cases amounted to approximately $1,202 for the year ended June 30, 2007.

Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2007 and 2006 are as follows:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2007	$ 40,786	3,918	(4,347)	40,357
2006	45,968	(388)	(4,794)	40,786

The SLPD obtains periodic funding valuations from a third-party administrator who manages workers' compensation claims to maintain the appropriate level of estimated claims liability. The SLPD also purchases excess liability coverage for workers' compensation claims.

25. GRANT LOAN PROGRAMS

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low- and moderate-income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured, and accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if moneys have not been spent) in the year of receipt.

26. COMPONENT UNIT—SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements. The amount of tax-exempt bonds outstanding at June 30, 2007 could not be determined; however, the original issue amounts totaled approximately $2 billion (in dollars).

27. TRANSPORTATION DEVELOPMENT DISTRICT

In August 2003, the City and a hotel developer entered into an agreement for the creation of a transportation development district (TDD). The TDD is a separate political subdivision of the State. Its boundaries coincide with the property upon which the hotel developer is constructing a new 206-room hotel and 415-car garage. During 2005, the TDD issued $6,350 in TDD obligations to finance this construction. The TDD has the authority to levy a 1% sales tax within the district in order to repay this debt, which the City collects on behalf of the TDD and remits to the TDD. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax that will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements. Additionally, the City has agreed to pledge 75% of the City tax revenues generated within the district to the TDD in exchange for the TDD's pledge to leave at least 200 of the spaces in the parking garage available for public use.

On April 5, 2007, the City and the Highlands TDD entered into an Intergovernmental Cooperation Access and Parking Agreement in which the district has pledged an annual appropriation of the TDD Revenues to pay TDD notes. A TDD Revenue Note Series 2007B was issued in the amount of $605 at an interest rate of 6%. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax which will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements.

28. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2007, the City issued $32,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 30, 2008 and bear interest at a rate of 4.50% per year.

b. Issuance of the Recreation Sales Tax Leasehold Revenue Bonds Series 2007

On July 12, 2007, the SLMFC issued the Recreation Sales Tax Leasehold Revenue Bonds Series 2007 in the amount of $51,965. The Series 2007 Bonds will be used to pay the costs of designing and constructing two new recreational center facilities. The Series 2007 Bonds are due in installments through February 2024 and bear an interest rate ranging from 4.0% to 5.0%.

c. Airport Commercial Paper

On September 5, 2007, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due November 13, 2007, at an annual interest rate of 3.85% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction, or enlargement of facilities, appurtenances, and equipment at the Airport.

On November 13, 2007, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due March 10, 2008, at an annual interest rate of 3.40% for the purpose of financing the cost of extension,

improvement, purchase, acquisition, construction, or enlargement of facilities, appurtenances, and equipment at the Airport.

d. Issuance of the Taxable Leasehold Revenue and Refunding Bonds (Pension Funding Project)

On September 27, 2007, the SLMFC issued the Taxable Leasehold Revenue and Refunding Bonds Series (Pension Funding Project) in the amount of $140,030. The proceeds of the Series 2007 Bonds were issued for the purpose of paying certain judgments and other amounts in connection with the City's three defined retirement plans. The Series 2007 Bonds are 6.5% term bonds due June 1, 2037 at 95.891% to yield 6.663%.

e. Tax Increment Revenue Notes

Subsequent to June 30, 2007, the City issued tax increment revenue notes totaling $6,508 with interest rates ranging from 5.50% to 7.0%.

f. Tax Increment and Community Improvement District Refunding Revenue Bonds

On November 27, 2007, the City issued tax increment refunding revenue bonds for the Loughborough Commons Redevelopment Project totaling $18,430. The bonds will be used to refund Tax Increment Financing Notes and the Community Improvement District Notes issued for the Loughborough Redevelopment Projects. The bonds mature on November 1, 2027 and bear interest ranging from 5.05% to 5.75%.

g. Parking Revenue Bonds Series 2007

On December 13, 2007, the Parking Division issued $12,705 Parking Revenue Bonds Series 2007 to fund the construction of the Downtown Justice Center Garage, a 538-car parking garage. The garage will be immediately adjacent to the City's new Justice Center and the Parking Division's Chouteau Building. The Series 2007 Bonds are due in installments through June 2034 and bear an interest rate ranging from 4.125% to 6.0%.

h. Police Capital Improvements Sales Tax Leasehold Revenue Bonds

On December 13, 2007, the SLMFC issued $25,000 in Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007. The bonds will be used for capital improvements to three area command stations and other buildings owned by the Police Board, including the headquarters for the Police Department and the Police Academy. Certain interoperable communications equipment will be purchased to be used by the City police, fire, and EMS personnel. A portion of the Series 2007 Bonds are due in installments through February 2021 and bear an interest rate ranging from 3.625% to 4.1%. The remainder are term Bonds due between 2023 and 2037 and bear an interest rate ranging from 4.25% to 5.0%.

i. Rolling Stock

On November 29, 2007, the City amended its capital lease agreement to increase the capital lease by $825 in order to finance the acquisition computer hardware and software. This portion of the capital

lease is due in semi-annual installments from 2008 through 2010 with an annual interest rate of 4.0238%.

29. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. GASB Statement No. 45 will be effective for the City for the fiscal year ending June 30, 2008. Management of the City has not yet completed its assessment of the statements.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, establishes criteria that will be used to determine whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement also includes a provision that entities should not revalue assets that are transferred between the financial reporting entity components. GASB Statement No. 48 will be effective for the City for the fiscal year ending June 30, 2008. The City has not yet determined the effect that adoption of GASB Statement No. 48 may have on the financial statements.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of the new statement will be effective for the City for the fiscal year ending June 30, 2009.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires all intangible assets not specifically excluded by its scope provisions be classified as capital assets. GASB Statement No. 51 also requires that an intangible asset be recognized only if it is considered identifiable. GASB Statement No. 51 will be effective for the City for the fiscal year ending June 30, 2010, if applicable. Management of the City has not yet completed its assessment of the statement.

APPENDIX C

SUMMARIES OF LEGAL DOCUMENTS

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APPENDIX C

SUMMARIES OF LEGAL DOCUMENTS

DEFINITIONS OF WORDS AND TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Indenture, the Base Lease, the Lease, the Leasehold Deed of Trust, and this Official Statement. Reference is hereby made to the Indenture for complete definitions of all terms.

"*Act*" means the Missouri Nonprofit Corporation Act, as amended.

"*Additional Bonds*" means any Additional Tax-Exempt Bonds and any Additional Taxable Bonds.

"*Additional Rentals*" means the payments payable by the City pursuant to Section 4.2 of the Lease.

"*Additional Taxable Bonds*" means any additional bonds, including refunding bonds, issued by the Corporation pursuant to Section 210 of the Indenture, the interest on which is subject to federal income taxes.

"*Additional Tax-Exempt Bonds*" means any additional bonds, including refunding bonds, issued by the Corporation pursuant to Section 210 of the Indenture, the interest on which is not subject to federal income taxes.

"*Authorized Denominations*" means $5,000 or any integral multiple thereof.

"*Base Lease*" means the Base Lease between the City and the Corporation, dated as of June 1, 2008, and any Supplemental Base Lease.

"*Base Lease Term*" means the term of the Base Lease commencing as of the Closing Date and ending on the date specified in Section 3.1 of the Base Lease.

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

"*Bond,*" "*Bonds,*" or "*Series of Bonds*" means any bond or bonds, including the Series 2008 Bonds and any Additional Bonds, authenticated and delivered under and pursuant to the Indenture.

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

"*Bond Documents*" means the Indenture, the Base Lease, the Lease, the Leasehold Deed of Trust, the Purchase Agreement, the Series 2008 Tax Compliance Agreement, the Continuing Disclosure Agreement, and the Official Statement, and any and all other documents which the Corporation, the City, the Trustee, or any other party or parties or their representatives, have executed and delivered, or may hereafter execute and deliver with respect to the Series 2008 Bonds, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing; provided, however, that when the words "*Bond Documents*" are used in the context of the authorization, execution, delivery, approval, or performance of Bond Documents by a party to the Indenture, the same shall mean only those

Bond Documents that provide for or contemplate authorization, execution, delivery, approval, or performance by such party.

"*Bond Insurance Policy*" means the financial guaranty insurance policy issued by the Credit Facility Provider insuring the payment when due of principal of and interest on the Series 2008 Bonds as provided therein.

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

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

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

"*Business Day*" means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the State are, or a day on which the Depository is, authorized by law to close.

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

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

"*City Representative*" means the Comptroller or any other person or persons at the time designated to act on behalf of the City in matters not requiring legislative authorization relating to the Bond Documents as evidenced by a written certificate furnished to the Corporation and the Trustee containing the specimen signature of such person or persons and signed on behalf of the City by its Mayor and its Comptroller. For the purpose of investing the Bond proceeds, the authorized City Representative shall be the Treasurer or his designee. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the City Representative.

"*Closing Date*" means the date of delivery of and payment for any Series of Bonds.

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

"*Completion Date*" means the date of completion of the Improvements, as that date is certified as provided in Section 5.5 of the Lease and Section 505 of the Indenture.

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

"*Construction Costs*" means all reasonable and necessary expenses incidental to the acquisition of real and personal property, construction, renovation, rehabilitating, equipping, improving, and installing of furnishings and equipment for the Improvements or any part thereof and any related municipal facilities which are to be constructed, installed, rehabilitated, and improved with proceeds of Bonds, including, without limitation, architectural, engineering, legal, financial, administrative, and accounting services relating thereto, the cost of all machinery, fixtures, and equipment necessary or

desirable in connection with the Improvements, costs as may be necessary or incidental to the Improvements and any and all other costs which, in the opinion of Bond Counsel, constitute construction expenditures within the meaning of Section 148(f)(4)(B)(i)(b) of the Code.

"*Continuing Disclosure Agreement*" means the Continuing Disclosure Agreement between the City and UMB Bank, N.A., as dissemination agent, with respect to the Series 2008 Bonds.

"*Corporation*" means the St. Louis Municipal Finance Corporation, a corporation organized under the Act, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 16.1 of the Lease.

"*Corporation Representative*" means the President, any Vice President, or any other person or persons at the time designated to act on behalf of the Corporation in matters relating to the Bond Documents as evidenced by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or any Vice President. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Corporation Representative.

"*Cost*" or "*Costs*" means all Construction Costs, Costs of Issuance, and all reasonable and necessary expenses of or incidental to the Project, including capitalized interest on the Bonds as permitted under the Tax Compliance Agreement, all directly or indirectly payable or reimbursable by the Corporation.

"*Costs of Issuance*" means all reasonable, necessary, and incidental costs related to the authorization, issuance, sale, and delivery of the Bonds, including, but not limited to, printing expenses, rating agency fees, depository's fees and expenses, costs of Credit Enhancement, filing and recording fees, initial fees and charges of the Trustee, expenses of feasibility studies, title insurance premiums, legal fees and expenses, fees and expenses of organizational, marketing, or other special services, financial or underwriting fees and expenses, and any other fees and expenses incurred on behalf of the Corporation or the City, as pre-approved by the Comptroller.

"*Counsel*" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the City or the Corporation.

"*Credit Enhancement*" means a letter of credit, surety bond, or municipal bond insurance policy or policies, if any, guaranteeing, providing for, or insuring the payment when due of the principal of, and the interest on, one or more Series of Bonds as provided therein, issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such facility. The Bond Insurance Policy and the Reserve Policy are Credit Enhancement within the meaning of such term.

"*Credit Facility Provider*" means Assured Guaranty Corp., or any successor thereto or assignee thereof, as issuer of the Bond Insurance Policy and the Reserve Policy.

"*Debt Service Fund*" means the Juvenile Detention Center Leasehold Revenue Bonds Debt Service Fund created in Section 401 of the Indenture.

"*Debt Service Reserve Fund*" means the Juvenile Detention Center Leasehold Revenue Bonds Debt Service Reserve Fund created in Section 401 of the Indenture.

"*Debt Service Reserve Fund Requirement*" means any or the aggregate of all of the Series 2008A Reserve Account Requirement, the Series 2008B Reserve Account Requirement, and/or the reserve account requirement with respect to any Series of Additional Bonds, as the context requires.

"*Defeasance Obligations*" means U.S. Treasury Obligations, (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

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

"*Environmental Laws*" means any now-existing or hereafter enacted or promulgated federal, State, local, or other law, statute, ordinance, rule, regulation or court order pertaining to (i) environmental protection, regulation, contamination or clean-up, (ii) toxic waste, (iii) underground storage tanks, (iv) asbestos or asbestos-containing materials, or (v) the handling, treatment, storage, use or disposal of Hazardous Materials, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act and the Resource Conservation and Recovery Act, all as exist from time to time.

"*Environmental Notices*" means any emergency and hazardous chemical inventory forms given to any federal, State or local governmental authority or agency as required pursuant to the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C.A. § 11001, *et seq.*, as amended, or any other Environmental Laws.

"*Equipment*" means the items of machinery, equipment, or other personal property installed or acquired or to be acquired for installation in or which constitute part of the Improvements, and all replacements thereof and substitutions thereof made pursuant to the Lease.

"*Event of Default*" means (a) with respect to the Indenture, any Event of Default as defined in Section 901 of the Indenture, (b) with respect to the Lease, any Event of Default as defined in Section 12.1 thereof, and (c) with respect to the Leasehold Deed of Trust, any Event of Default as defined in Section 20 thereof.

"*Event of Non-Appropriation*" means an Event of Non-Appropriation as provided in Section 11.4 of the Lease.

"*Fiscal Year*" means (a) with respect to the Corporation, the fiscal year now or hereafter adopted by the Corporation and, (b) with respect to the City, the fiscal year now or hereafter adopted by the City, which fiscal year currently begins on July 1 of each calendar year.

"*FRS*" means the City of St. Louis Firemen's Retirement System.

"*Funds*" means the Debt Service Fund, the Debt Service Reserve Fund, the Project Fund, and any accounts established therein.

"*Global Bond Certificates*" means one or more bond certificates of the Corporation, each certificate representing the entire principal amount of the Bonds due on a particular Stated Maturity, immobilized from general circulation by the Depository.

"*Hazardous Materials*" means all (i) "hazardous substances" (as defined in 42 U.S.C. §9601(14)), (ii) extremely hazardous substances subject to regulation under Title III of the Superfund Amendments and Reauthorization Act of 1986, as amended from time to time, (iii) hazardous chemicals as defined by the OSHA Hazard Communication Standard, (iv) natural gas, liquids, liquefied natural gas, or synthetic gas, (v) any petroleum, petroleum-based products, or crude oil, or any fraction thereof, or (vi) any other hazardous or toxic substances, hazardous or solid wastes or materials, pollutants, contaminants, or any other substances or materials which are included under or regulated by any Environmental Law.

"*Impositions*" means those taxes, assessments, and other impositions defined in Article VI of the Lease.

"*Improvements*" means certain capital improvements to be constructed, installed, rehabilitated, and improved upon the Real Property and other real property owned by the City and located in the geographical boundaries of the City.

"*Indenture*" means the Trust Indenture dated as of the June 1, 2008, between the Corporation and the Trustee authorized by the Resolution, as from time to time amended and supplemented in accordance with the provisions of Article XI of the Indenture.

"*Interest Payment Date*" means, with respect to the Bonds, June 1 and December 1 of each year as long as the Bonds remain Outstanding, and, with respect to the Series 2008 Bonds, beginning December 1, 2008, and, with respect to any Additional Bonds, beginning the date specified in the Supplemental Indenture authorizing such Additional Bonds.

"*Lease*" means the Lease Purchase Agreement between the Corporation and the City, dated as of June 1, 2008, and any Supplemental Lease.

"*Lease Term*" means the term of the Lease commencing as of the Closing Date and ending on the date specified in Section 3.2 of the Lease.

"*Leased Property*" means the Real Property and the Improvements located thereon.

"*Leasehold Deed of Trust*" means the Leasehold Deed of Trust, Security Agreement, and Fixture Filing, dated as of June 1, 2008, by the Corporation for the benefit of the Trustee, and any Supplemental Leasehold Deed of Trust.

"*Maturity*" means, with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or of the Indenture provided, whether at the Stated Maturity or by declaration or acceleration or call for redemption or otherwise.

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

"*Moody's*" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"*Official Statement*" means the preliminary and final Official Statement prepared in connection with the issuance, sale, and delivery of the Series 2008 Bonds.

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

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

"*Ordinance*" means Ordinance No. 67969 of the City adopted by the Board of Aldermen of the City on March 14, 2008, and signed by the Mayor of the City on March 31, 2008, as amended by Ordinance No. 67974 of the City adopted by the Board of Aldermen of the City and signed by the Mayor of the City on May 22, 2008, which authorizes, among other things, the issuance, sale, and delivery of the Series 2008 Bonds, in accordance with the Indenture, and any amendments or supplements thereto.

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

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Except as provided in Section 1303 of the Indenture, Bonds which are deemed paid under Section 1302 of the Indenture;

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

(d) Bonds held by or for the account of the Corporation, the City, or any person controlling, controlled by, or under common control with the Corporation or the City, for purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds outstanding under the Indenture.

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

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

"Payment Date" means, collectively, each Interest Payment Date and each Principal Payment Date.

"Pension Funding Project" means paying all or a portion of certain actuarially required contributions of the City coming due in the current Fiscal Year in connection with either or both of the Retirement Systems.

"Permitted Encumbrances" means:

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

(b) Impositions which are not then delinquent, or if then delinquent, are being contested in accordance with Section 6.2 of the Lease;

(c) utility, access, and other easements and rights-of-way, restrictions, and exceptions, including operating agreements or leases, which do not and will not interfere with or impair the operation of the Leased Property (or, if it is not being operated, the operation for which it was designed or last modified);

(d) any mechanic's, laborer's, materialman's, supplier's, or vendor's lien, or rights in respect thereof, if payment is not yet due under the contract in question or if such lien is being contested in accordance with Section 9.1 or Section 9.2 of the Lease;

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

(f) zoning laws and similar restrictions which are not violated by the Leased Property;

(g) the Base Lease;

(h) the Lease; and

(i) the Leasehold Deed of Trust.

"Permitted Investments" means:

1. (a) cash, or (b) Defeasance Obligations.

2. Federal Housing Administration debentures.

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

    a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; and

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

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least $15 million.

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

7. Money market funds rated "Aam" or "AAm-G" by S&P, or better and if rated by Moody's rated "Aa2" or better.

8. *"State Obligations"*, which means:

a) direct general obligations of any state of the United States of America or any subdivision, or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision, or agency whose unsecured general obligation debt is so rated;

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

c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's.

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

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

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

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

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

e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

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

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3" Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "A-" by S&P and "A3" by Moody's and acceptable to the Credit Facility Provider (each a *"Repurchase Agreement Eligible Provider"*), provided that:

a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA, or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC (*"Eligible Collateral"*);

b) the Trustee or a third party acting solely as agent therefore or for the Corporation (the *"Custodian"*) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Corporation, and the Credit Facility Provider setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

d) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Credit Facility Provider;

e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first

priority security interest in the collateral, any substituted collateral and all proceeds thereof;

f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, notify the Corporation, the Trustee, and the Credit Facility Provider within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Credit Facility Provider, (ii) post Eligible Collateral, or (iii) assign the agreement to a Repurchase Agreement Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee (who shall give such direction if so directed by the Credit Facility Provider) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Corporation or the Trustee.

11. Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's, and acceptable to the Credit Facility Provider (each an *"Investment Agreement Eligible Provider"*); provided that:

a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Series 2008B Improvements Account, construction draws) on the Bonds;

b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Corporation and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the provider shall send monthly reports to the Trustee, the Corporation, and the Credit Facility Provider setting forth the balance the Corporation or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

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

e) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Credit Facility Provider;

f) the Corporation, the Trustee, and the Credit Facility Provider shall receive an opinion of domestic counsel to the provider that such investment agreement is

legal, valid, binding, and enforceable against the provider in accordance with its terms;

g) the Corporation, the Trustee and the Credit Facility Provider shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed, and delivered by the provider and constitutes the legal, valid, and binding obligation of the provider, enforceable against the provider in accordance with its terms, (ii) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (iii) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

h) the investment agreement shall provide that if during its term:

i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3" respectively, the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Credit Facility Provider, (ii) post Eligible Collateral with the Corporation, the Trustee, or a Custodian free and clear of any third party liens or claims, or (iii) assign the agreement to an Investment Agreement Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;

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

i) in the event the provider is required to collateralize, permitted collateral shall include Eligible Collateral. In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Corporation, and the Credit Facility Provider setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

j) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

k) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Credit Facility Provider), be accelerated and amounts invested and accrued but unpaid interest thereon shall

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

The value of the above investments shall be determined as follows:

a) For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., or Lehman Brothers.

b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

c) As to any investment not specified above, the value thereof established by prior agreement among the Corporation, the Trustee, and the Credit Facility Provider.

"*Plans and Specifications*" means the plans and specifications for the Improvements, any amendments and additions thereto, and any change orders thereto.

"*Principal Payment Date*" means, with respect to the Bonds, June 1 of each year as long as the Bonds remain Outstanding, and, with respect to the Series 2008 Bonds, beginning June 1, 2009, and, with respect to any Additional Bonds, beginning the date specified in the Supplemental Indenture authorizing such Additional Bonds.

"*Project*" means (a) funding all or a portion of the Improvements, and (b) the Pension Funding Project.

"*Project Fund*" means the Juvenile Detention Center Leasehold Revenue Bonds Project Fund created in Section 401 of the Indenture.

"*PRS*" means the City of St. Louis Police Retirement System.

"*Public Safety Protection Sales Tax Fund*" means the fund into which all revenues from the Public Safety Sales Tax are deposited pursuant to Ordinance No. 67794 of the City.

"*Public Safety Sales Tax*" means the one-half of one percent sales tax approved by the voters of the City on February 5, 2008.

"*Purchase Agreement*" means the Bond Purchase Agreement among the Corporation, the City, and the Underwriter relating to the issuance and sale of the Series 2008 Bonds.

"*Real Property*" has the meaning given such term in Exhibit C of the Indenture.

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

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

"*Redemption Notice Information*" means information in a written and dated notice from the Trustee which (a) identifies the Bonds to be redeemed by the name of the issue (including the name of the issuer and any series designation), CUSIP number, if any, date of issue, interest rate, Maturity, and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of the Bonds will be redeemed, the certificate numbers and the principal amount of the Bonds to be redeemed, (b) identifies the date on which the notice is distributed and the Redemption Date, (c) states the price at which the Bonds will be redeemed, (d) states that interest on the Bonds or the portions of Bonds called for redemption will stop accruing from the Redemption Date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the Redemption Date, (e) states that payment for the Bonds will be made on the Redemption Date at the principal corporate trust office of the Trustee, or such other office as the Trustee shall designate, during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part, and (f) identifies by name and telephone number a representative of the Trustee who may be contacted for additional information.

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

"*Rentals*" or "*Rent*" means those payments required to be made by the City pursuant to Section 4.1 of the Lease.

"*Replacement Bonds*" means the Bonds authenticated and delivered by the Bond Registrar pursuant to Section 206 or Section 209 of the Indenture.

"*Reserve Policy*" means the surety bond issued by the Credit Facility Provider guaranteeing certain payments into the Debt Service Reserve Fund with respect to the Series 2008 Bonds, as provided therein and subject to the limitations set forth therein.

"*Resolution*" means the Resolution adopted by the Board of Directors of the Corporation authorizing, among other things, the issuance, sale, and delivery of the Series 2008 Bonds, and the execution of certain documents related thereto, in accordance with the Indenture.

"*Retirement Systems*" means the PRS and the FRS.

"*S&P*" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"*Series*" means all of the Bonds delivered on original issuances in a simultaneous transaction and identified pursuant to Section 201 or Section 210 of the Indenture, or pursuant to a Supplemental Indenture authorizing the issuance of such Bonds as a separate Series, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in Maturity, interest rate, or other provisions. If a Series of Bonds is sold in installments, Series shall mean all of the Bonds of such installment.

"*Series 2008 Bonds*" means the Series 2008A Bonds and the Series 2008B Bonds.

"Series 2008 Tax Compliance Agreement" means the Tax Compliance Agreement, executed by the City, the Corporation, and the Trustee in connection with the issuance of the Series 2008B Bonds to evidence compliance with the provisions of Sections 141 through 150 of the Code.

"Series 2008A Bonds" means the Taxable Public Safety Sales Tax Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee), Series 2008A (Pension Funding Project), authorized by the Indenture.

"Series 2008A Reserve Account Requirement" means the least of (a) the maximum annual debt service on the Series 2008A Bonds when issued, (b) the sum of 10% of the stated principal amount of the Series 2008A Bonds, or (c) 125% of the average annual debt service requirements on the Series 2008A Bonds when issued.

"Series 2008B Bonds" means the Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee), Series 2008B authorized by the Indenture.

"Series 2008B Reserve Account Requirement" means the least of (a) the maximum annual debt service on the Series 2008B Bonds when issued, (b) the sum of 10% of the stated principal amount of the Series 2008B Bonds, or (c) 125% of the average annual debt service requirements on the Series 2008B Bonds when issued.

"State" means the State of Missouri.

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

"Supplemental Base Lease" means any supplement or amendment to the Base Lease entered into by the City and the Corporation pursuant to Section 6.2 of the Base Lease and Article XII of the Indenture.

"Supplemental Indenture" means any supplement or amendment to the Indenture entered into by the Corporation and the Trustee pursuant to Article XI of the Indenture.

"Supplemental Lease" means any supplement or amendment to the Lease entered into by the Corporation and the City pursuant to Article XIV of the Lease and Article XII of the Indenture.

"Supplemental Leasehold Deed of Trust" means any supplement or amendment to the Leasehold Deed of Trust entered into by the Corporation pursuant to Section 24 of the Leasehold Deed of Trust and Article XII of the Indenture.

"Tax Compliance Agreement" means any agreement, including the Series 2008 Tax Compliance Agreement, executed by the City, the Corporation, and the Trustee in connection with the issuance of a Series of Tax-Exempt Bonds to evidence compliance with the provisions of Sections 141 through 150 of the Code.

"Taxable Bonds" means the Series 2008B Bonds and any Additional Taxable Bonds.

"Tax-Exempt Bonds" means the Series 2008B Bonds and any Additional Tax-Exempt Bonds.

"Term" has the same meaning given the term *"Lease Term."*

"*Treasurer*" means the Treasurer of the City.

"*Trust Estate*" means the Trust Estate provided in the Granting Clauses of the Indenture.

"*Trustee*" means UMB Bank, N.A., St. Louis, Missouri, as trustee under the Indenture and any successors or assigns.

"*UCC*" means the Uniform Commercial Code as adopted by the State, as amended.

"*Underwriter*" means Siebert Brandford Shank & Co., LLC, as representative of the underwriters named in the Purchase Agreement.

"*U.S. Treasury Obligations*" means direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America.

"*Written Request for Disbursement*" means a request in writing, in substantially the form of Exhibit B attached to the Indenture, signed by the Corporation Representative and the City Representative.

SUMMARY OF TRUST INDENTURE

The following is a summary of certain provisions of the Trust Indenture, dated as of June 1, 2008, by and between the Corporation and the Trustee (the "*Indenture*"). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Indenture, a copy of which is available from the Corporation.

Nature of Obligations. The Bonds and the interest thereon shall be special obligations of the Corporation payable solely out of the Rentals, Additional Rentals, and certain other revenues, moneys, and receipts derived by the Corporation pursuant to the Lease, and are secured by a pledge and assignment of the Trust Estate to the Trustee in favor of the Bondholders, as provided in the Indenture. No incorporator, member, agent, employee, director, or officer of the Corporation or the City shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease for anything done or omitted to be done by the Corporation under the Indenture. The Bonds and the interest thereon shall not be a debt of the City, the State, or any instrumentality thereof, and none of the City, the State, or any instrumentality thereof shall be liable thereon, and the Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Method and Place of Payment of Bonds; Interest Rights Preserved.

Payment of the principal of and redemption premium, if any, shall be made upon the presentation and surrender of such Bonds at their respective Maturities at the principal corporate trust office of the Paying Agent, or such other office as the Paying Agent shall designate. Payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the Registered Owner thereof at the close of business on the Record Date next preceding said Interest Payment Date (a) by check or draft mailed to such Registered Owner at its address as it appears on the Bond Register, or (b) upon written request to the Trustee by any Registered Owner of Bonds in the aggregate principal amount of at least $1,000,000, by electronic transfer to such Registered Owner upon written notice to the Trustee from such Registered Owner containing the electronic transfer instructions (which shall be located in the continental United States) to which such Registered Owner wishes to have such transfer directed, provided such written notice is given by such Registered Owner to the Trustee not less than five Business Days before the applicable Record Date. Any such written notice for electronic transfer shall include the

name of the bank, its address, its ABA routing number and the name, number and contact name related to such Registered Owner's account at such bank to which the payment is to be credited.

Assignment of Trust Estate.

The Corporation, in consideration of the premises in the Indenture set forth, the acceptance by the Trustee of the trusts created pursuant to the Indenture, the purchase and acceptance of the Bonds by the Holders thereof, and the sum of one dollar duly paid to the Corporation by the Trustee, and of other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and in order to secure the payment of the principal of and premium, if any, and interest on the Bonds according to their tenor and effect, and to secure the performance and observance by the Corporation of the covenants, agreements, and conditions in the Indenture and in the Bonds contained, does, subject to the Lease, grant, bargain, and sell, mortgage, warrant, convey, and confirm and pledge, assign, and grant a security interest in all and singularly the following property (said property being in the Indenture referred to as the "Trust Estate") unto the Trustee and its successors-in-trust and its assigns, for the benefit of the Bondholders:

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

2. All right, title, and interest of the Corporation (including the right to enforce any of the terms thereof) in, to and under: (a) the Base Lease, (b) the Lease and all Rentals and Additional Rentals (as such terms are defined below) and certain other revenues, moneys, and receipts pursuant to the Lease or otherwise available to secure the Bonds, except the amounts provided in clauses (g) and (h) of Section 4.2 of the Lease and the Corporation's rights to indemnification under the Lease, (c) the Leasehold Deed of Trust, (d) all financing statements or other instruments or documents evidencing, securing, or otherwise relating to the Lease or the Leasehold Deed of Trust, and (e) any and all real and personal property interests of the Corporation, including, but not limited to, equipment acquired in connection with the Leased Property pursuant to the Base Lease and the Lease, subject to (b) above.

3. All moneys and securities from time to time held by the Trustee under the Indenture, excluding moneys on deposit in the Rebate Fund, and any and all other real or personal property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned, or transferred as and for additional security under the Indenture by the Corporation or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

Additional Bonds.

So long as no Event of Default has occurred and is continuing or any other event which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease (unless such Additional Bonds are Refunding Bonds or are being issued to cure such Event of Default), Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the Series 2008 Bonds and any other Outstanding Bonds, with the prior written consent of the Credit Facility Provider, at any time and from time to time upon compliance with the conditions described in this Section, for the following purposes: (i) paying the Costs of completing the Project, such Cost to be evidenced by a certificate signed by a City Representative and a Corporation Representative; or (ii) providing funds for refunding all or any part of the Bonds then Outstanding of any Series, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding; provided, however, that a refunding of all of the Bonds then Outstanding will not require the consent of the Credit Facility Provider.

Such Additional Bonds shall have the same designation as the Series 2008 Bonds, except for an identifying series letter or date and except, if appropriate, for the addition of the word "Refunding" in the case of Bonds which are Refunding Bonds, shall be numbered, shall bear interest at such rate or rates not exceeding the maximum rate then permitted by law, shall be stated to mature and shall be redeemable at such times and prices (subject to Article III of the Indenture), all as may be provided by the Supplemental Indenture authorizing such Additional Bonds. Except as to any difference in the date, the Stated Maturities, the rate or rates of interest, the provisions for redemption, or the provisions for debt service reserve funds or accounts, such Additional Bonds shall be entitled to the same benefit and security of the Indenture as the Bonds. No Refunding Bonds shall be issued to refund all or a portion of Bonds Outstanding unless such Outstanding Bonds shall be deemed defeased in accordance with Article XIII of the Indenture upon completion of such refunding and the total debt service due shall be no greater than such total debt service would have been without the refunding of such Outstanding Bonds.

Creation of Funds and Accounts. There are created and ordered to be established in the custody of the Trustee:

(a) the Public Safety Sales Tax Leasehold Revenue Bonds Debt Service Fund, including a separate and distinct account to be designated the "Series 2008A Debt Service Account," and the Juvenile Detention Center Leasehold Revenue Bonds Debt Service Fund, including a separate and distinct account to be designated the "Series 2008B Debt Service Account" (collectively, the *"Debt Service Fund"*);

(b) the Public Safety Sales Tax Leasehold Revenue Bonds Debt Service Reserve Fund, including a separate and distinct account to be designated the "Series 2008A Reserve Account," and the Juvenile Detention Center Leasehold Revenue Bonds Debt Service Fund, including a separate and distinct account to be designated the "Series 2008B Reserve Account" (collectively, the *"Debt Service Reserve Fund"*);

(c) the Public Safety Sales Tax Leasehold Revenue Bonds Project Fund, including separate and distinct accounts to be designated the "Series 2008A Pension Funding Project Account" and the "Series 2008 Costs of Issuance Account," and the Juvenile Detention Center Leasehold Revenue Bonds Project Fund, including a separate and distinct account to be designated the "Series 2008B Improvements Account" (collectively, the *"Project Fund"*); and

(d) the Rebate Fund.

The Trustee shall maintain separate accounts for funds and securities attributable to each Series of Bonds in the Funds established with the Trustee for any Series of Bonds so that calculations required by the Tax Compliance Agreement for each Series of Tax-Exempt Bonds can be made separately for such Series. Any transfer of funds or securities or earnings thereon from one fund or account to another shall be made to the appropriate account or subaccount for the same Series of Bonds to which such funds or securities are attributed. If, at any time, a payment is made to any such fund that is less than the amount due and payable to such fund, the amount paid shall be credited pro rata to each separate account within such fund, based on the amount owed to each such account.

Application of Proceeds of Series 2008 Bonds. The proceeds of the sale of the (i) Series 2008A Bonds, $19,003,601.94,and (ii) Series 2008B Bonds, $24,475,901.77, shall be deposited or delivered as follows:

(a) the sum of $18,800,000.00 from the proceeds of the sale of the Series 2008A Bonds shall be deposited into the Series 2008A Pension Funding Project Account;

(b) the sum of $24,210,000.00 from the proceeds of the sale of the Series 2008B Bonds shall be deposited into the Series 2008B Improvements Account;

(c) the sum of $203,601.94 from the proceeds of the sale of the Series 2008A Bonds shall be deposited into the Series 2008 Costs of Issuance Account; and

(d) the sum of $265,901.77 from the proceeds of the sale of the Series 2008B Bonds shall be deposited into the Series 2008 Costs of Issuance Account.

Deposit of Funds into Debt Service Fund.

Series 2008A Debt Service Account. The Trustee shall deposit into the Series 2008A Debt Service Account: (a) all amounts to be deposited in the Debt Service Fund pursuant to Section 4.1 and Section 4.2 of the Lease corresponding to the payments of principal of, redemption premium, if any, and interest on the Series 2008A Bonds; (b) all interest and other income derived from investments of funds on deposit in the Series 2008A Debt Service Account; (c) amounts on deposit in the Series 2008A Reserve Account in excess of the Series 2008A Reserve Account Requirement and certain investment earnings on amounts in the Series 2008A Reserve Account, pursuant to Section 502 and Section 503 of the Indenture; and (d) all other moneys received by the Trustee which the Trustee is directed in writing to deposit in the Series 2008A Debt Service Account.

Series 2008B Debt Service Account. The Trustee shall deposit into the Series 2008B Debt Service Account: (a) all amounts to be deposited in the Debt Service Fund pursuant to Section 4.1 and Section 4.2 of the Lease corresponding to the payments of principal of, redemption premium, if any, and interest on the Series 2008B Bonds; provided that no revenues of the Public Safety Sales Tax shall be deposited into the Series 2008B Debt Service Account or used to make payment of principal of, redemption premium, if any, or interest on the Series 2008B Bonds; (b) all interest and other income derived from investments of funds on deposit in the Series 2008B Debt Service Account; (c) amounts on deposit in the Series 2008B Reserve Account in excess of the Series 2008B Reserve Account Requirement and certain investment earnings on amounts in the Series 2008B Reserve Account, pursuant to Section 502 and Section 503 of the Indenture; and (d) all other moneys received by the Trustee which the Trustee is directed in writing to deposit in the Series 2008B Debt Service Account.

Application of Funds in Debt Service Fund.

Except as provided in Section 508, Section 509, Section 510, and Section 909 of the Indenture, and except as may be provided in any Supplemental Indenture with respect to using moneys in the Debt Service Fund to purchase Bonds in the open market, moneys in the Series 2008A Debt Service Account and the Series 2008B Debt Service Account shall be expended solely for the payment of the principal of, and redemption premium, if any, and interest on, the Series 2008A Bonds and the Series 2008B Bonds, respectively, as the same mature and become due or upon the redemption thereof prior to Maturity.

Whenever the amounts in the appropriate accounts of the Debt Service Fund are sufficient to redeem all of the Bonds Outstanding and pay interest to accrue thereon prior to such redemption, the Corporation, upon the direction of and instruction from the City, shall take and cause to be taken the necessary steps to redeem all such Bonds on the next succeeding Redemption Date for which the required redemption notice may be given or on such later Redemption Date as may be specified by the City. Except as provided in Section 501(a)(ii) of the Indenture, any moneys in the Debt Service Fund may be used to redeem a portion of the Bonds Outstanding so long as the City is not in default with respect to any payments under the Lease and to the extent said moneys exceed the amount required (i) for payment of

Bonds theretofore matured or called for redemption, and (ii) for payment of any past due interest remaining unpaid.

Application of Funds With Respect to the Debt Service Reserve Fund.

Application of Funds in Series 2008A Reserve Account. Except as otherwise provided in the Indenture, funds on deposit in the Series 2008A Reserve Account may be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Series 2008A Debt Service Account shall be insufficient to pay the principal of and interest on the Series 2008A Bonds as the same become due. The Trustee may disburse and expend moneys from the Series 2008A Reserve Account whether or not the amount therein equals the Series 2008A Reserve Account Requirement. Moneys on deposit in the Series 2008A Reserve Account may be used to pay Series 2008A Bonds called for redemption or to purchase Series 2008A Bonds in the open market, prior to their Stated Maturity, provided all Series 2008A Bonds at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Series 2008A Reserve Account shall be used to pay and retire the Series 2008A Bonds last becoming due, unless such Series 2008A Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Series 2008A Reserve Account shall aggregate an amount not less than the Series 2008A Reserve Account Requirement on each valuation date pursuant to Section 503, no further deposits to said Series 2008A Reserve Account shall be required. If, however, the Trustee is ever required to withdraw funds from the Series 2008A Reserve Account to prevent a default as in the Indenture provided and such withdrawal reduces the amount on deposit in the Series 2008A Reserve Account to an amount which is less than the Series 2008A Reserve Account Requirement, the City shall, pursuant to Section 4.2 of the Lease, make up such deficiency by making monthly payments of Additional Rentals commencing on the fifteenth day of the calendar month following the date of such withdrawal and continuing on the fifteenth day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency, until the amount on deposit in the Series 2008A Reserve Account again aggregates a sum not less than the Series 2008A Reserve Account Requirement.

So long as the sum on deposit in the Series 2008A Reserve Account shall aggregate an amount not less than the Series 2008A Reserve Account Requirement, investment earnings on funds on deposit in the Series 2008A Reserve Account shall be transferred to the Series 2008A Debt Service Account of the Debt Service Fund. If, however, the sum on deposit in the Series 2008A Reserve Account shall be less than the Series 2008A Reserve Account Requirement, investment earnings on funds in the Series 2008A Reserve Account shall remain therein and be applied to reducing such deficiency.

Application of Funds in Series 2008B Reserve Account. Except as otherwise provided in the Indenture, funds on deposit in the Series 2008B Reserve Account may be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Series 2008B Debt Service Account shall be insufficient to pay the principal of and interest on the Series 2008B Bonds as the same become due. The Trustee may disburse and expend moneys from the Series 2008B Reserve Account whether or not the amount therein equals the Series 2008B Reserve Account Requirement. Moneys on deposit in the Series 2008B Reserve Account may be used to pay Series 2008B Bonds called for redemption or to purchase Series 2008B Bonds in the open market, prior to their Stated Maturity, provided all Series 2008B Bonds at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Series 2008B Reserve Account shall be used to pay and retire the Series 2008B Bonds last becoming due, unless such Series 2008B Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Series 2008B Reserve Account shall aggregate an amount not less than the Series 2008B Reserve Account Requirement on each valuation date pursuant to Section

503, no further deposits to said Series 2008B Reserve Account shall be required. If, however, the Trustee is ever required to withdraw funds from the Series 2008B Reserve Account to prevent a default as in the Indenture provided and such withdrawal reduces the amount on deposit in the Series 2008B Reserve Account to an amount which is less than the Series 2008B Reserve Account Requirement, the City shall, pursuant to Section 4.2 of the Lease, make up such deficiency by making monthly payments of Additional Rentals commencing on the fifteenth day of the calendar month following the date of such withdrawal and continuing on the fifteenth day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency, until the amount on deposit in the Series 2008B Reserve Account again aggregates a sum not less than the Series 2008B Reserve Account Requirement.

So long as the sum on deposit in the Series 2008B Reserve Account shall aggregate an amount not less than the Series 2008B Reserve Account Requirement, investment earnings on funds on deposit in the Series 2008B Reserve Account shall be transferred to the Series 2008B Debt Service Account of the Debt Service Fund; provided that no investment earnings on revenues of the Public Safety Sales Tax shall be deposited into the Series 2008B Debt Service Account. If, however, the sum on deposit in the Series 2008B Reserve Account shall be less than the Series 2008B Reserve Account Requirement, investment earnings on funds in the Series 2008B Reserve Account shall remain therein and be applied to reducing such deficiency.

Substitution of Cash in Reserve Accounts. Notwithstanding the foregoing, any of the following may be used in lieu of or as partial substitution for cash in any reserve account in the Debt Service Reserve Fund: an insurance policy, letter of credit, line of credit, guaranty, or surety bond or any similar credit or liquidity facility, or any combination thereof which facility shall be obtained from an entity that is rated in one of the two highest rating categories by either Moody's, Fitch or S&P. In the case of the utilization of any cash substitute as described in this paragraph, a pro-rata portion, equal to the portion of each Series of Bonds then Outstanding, of any moneys remaining in any reserve account in the Debt Service Reserve Fund in excess of the reserve account requirement for such reserve account shall be transferred to each of the accounts in the Debt Service Fund attributable to each Outstanding Series of Bonds; provided that no investment earnings on investments purchased with the revenues of the Public Safety Sales Tax shall be deposited into the Series 2008B Debt Service Account, or if such cash substitute is attributable to a particular Series of Bonds, the Corporation, upon the direction of and instructions from the City, may direct the Trustee to transfer such funds in excess of the reserve account requirement for such reserve account to the accounts of the Debt Service Fund associated with such Series of Bonds.

Valuation of Debt Service Reserve Fund. Permitted Investments in the Debt Service Reserve Fund shall be evaluated at the market value thereof, exclusive of accrued interest, by the Trustee quarterly on February 15, May 15, August 15, and November 15 of each year and the amount on deposit therein determined accordingly. In the event that on any such date of evaluation the amount on deposit in any account of the Debt Service Reserve Fund shall aggregate an amount less than the applicable Debt Service Reserve Fund Requirement (by reason of such evaluation and not by reason of any withdrawal), the City shall, pursuant to Section 4.2 of the Lease, make up such deficiency as Additional Rentals equal to such deficiency no later than the next valuation date. In the event that on any such date of evaluation the amount on deposit in any account in the Debt Service Reserve Fund shall aggregate an amount which is not less than the Debt Service Reserve Fund Requirement for the applicable Series of Bonds, the amount in excess of the Debt Service Reserve Fund Requirement for such Series shall be transferred to the accounts in the Debt Service Fund attributable to such Series; provided that no increase in the market value of investments purchased with the revenues of the Public Safety Sales Tax shall be deposited into the Series 2008B Debt Service Account.

Disbursements from the Project Fund.

Series 2008A Pension Funding Project Account. Moneys on deposit in the Series 2008A Pension Funding Project Account shall be paid out from time to time by the Trustee upon Written Requests for Disbursement for the purpose of funding the Pension Funding Project. The Corporation promptly shall take all necessary and appropriate action in approving and ordering all such disbursements. The Trustee is authorized and directed to make payment for each disbursement in the manner and as provided by the Lease. Upon the earlier of (i) the date (and if such date is not a Business Day, the next succeeding Business Day) upon which the Trustee is advised in writing by the Corporation Representative that such costs and expenses have been paid, or (ii) the date (and if such date is not a Business Day, the next succeeding Business Day) which is six months from the Closing Date, the Trustee shall file, unless it has already done so, with the Corporation and with the City a final statement of receipts and disbursements with respect thereto and shall transfer any moneys remaining in the Series 2008A Pension Funding Project Account to the Series 2008A Debt Service Account to be used in accordance with Section 501 of the Indenture.

Series 2008B Improvements Account. Moneys on deposit in the Series 2008B Improvements Account shall be expended in accordance with the Lease, and particularly Article V thereof, and such moneys shall be paid out from time to time by the Trustee upon Written Requests for Disbursement in amounts equal to the amounts of Construction Costs and other Costs of the Improvements. The Corporation promptly shall take all necessary and appropriate action in approving and ordering all such disbursements. The Trustee is authorized and directed to make payment for each disbursement in the manner and as provided by the Lease. Upon the date (and if such date is not a Business Day, the next succeeding Business Day) upon which the Improvements have been completed and a certificate filed as provided in Section 505 of the Indenture and Section 5.5 of the Lease, the Trustee shall file, unless it has already done so, with the Corporation and with the City a final statement of receipts and disbursements with respect to such Improvements and shall transfer any moneys remaining in the Series 2008B Improvements Account to the Series 2008B Debt Service Account to be used in accordance with Section 501 of the Indenture.

After payment in full of the principal of, premium, if any, and interest on the Series 2008B Bonds (or provision has been made for the payment thereof) and the payment of (a) any amount owed to the Credit Facility Provider with respect to such Series, (b) the fees, charges, and expenses of the Trustee and any Paying Agent with respect to such Series, and (c) any other amounts required, with respect to such Series, to be paid under the Indenture, the Lease, the Leasehold Deed of Trust, any Tax Compliance Agreement, and any agreement with respect to Credit Enhancement, then all amounts remaining in the Series 2008 Improvements Account shall be paid to the City free and clear of the lien of the Indenture.

Series 2008 Costs of Issuance Account. Moneys on deposit in the Series 2008 Costs of Issuance Account shall be paid out from time to time by the Trustee upon Written Requests for Disbursement in an amount equal to the amount of Costs of Issuance with respect to the Series 2008 Bonds certified in such Written Requests for Disbursement. The Corporation promptly shall take all necessary and appropriate action in approving and ordering all such disbursements. The Trustee is authorized and directed to make payment for each disbursement in the manner and as described in this subsection. Upon the earlier of (i) the date (and if such date is not a Business Day, the next succeeding Business Day) upon which the Trustee is advised in writing by the Corporation Representative that such Costs of Issuance have been paid, or (ii) the date (and if such date is not a Business Day, the next succeeding Business Day) which is six months from the Closing Date, any moneys remaining in the Series 2008 Costs of Issuance Account shall be transferred by the Trustee in pro rata portions equal to the portions of the Series 2008A Bonds and Series 2008B Bonds then Outstanding to the Series 2008A Debt Service Account and the Series 2008B Debt Service Account, respectively, to be used in accordance with Section 501 of the Indenture.

Rebate Fund. In accordance with any Tax Compliance Agreement the Corporation has covenanted to calculate and pay directly to the United States of America all amounts due for payment of "arbitrage rebate" under Section 148(f) of the Code with respect to the Tax-Exempt Bonds. Accordingly, no amounts shall be deposited in the Rebate Fund, provided, however, that the Corporation may in the future deposit with the Trustee or direct the Trustee in writing to deposit in the Rebate Fund amounts held in any fund or account under the Indenture for the Tax-Exempt Bonds (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate). The Rebate Fund is a trust fund, but amounts therein do not constitute part of the Trust Estate.

Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal therein becomes due, either upon its Stated Maturity, Redemption Date, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Corporation to the Bondholder thereof for the payment of such Bond shall forthwith cease, determine, and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on its part under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within four years following the date when such Bond becomes due, whether upon its Stated Maturity, Redemption Date, or otherwise, the Trustee shall without liability for interest thereon repay to the City the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Bondholder thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Repayment to the City. After payment in full of the principal of and redemption premium, if any, and interest on, the Bonds (or after provision has been made for the payment thereof as provided in the Indenture), and the fees, charges, and expenses of the Corporation, the Trustee, and the Paying Agent, and any other amounts required to be paid under the Indenture and Lease, all amounts remaining in any Fund created under the Indenture shall be paid to the City upon the expiration or sooner termination of the Lease free and clear of the lien of the Indenture.

Control and Consent Rights of Credit Facility Provider. So long as the Credit Facility Provider has not failed to comply with its obligations under the applicable Credit Enhancement, the Credit Facility Provider shall have the following rights:

(a) The Credit Facility Provider shall be deemed to be the holder of all of the Series 2008 Bonds for purposes of (i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (ii) granting any consent, direction, or approval or taking any action permitted by or required under the Indenture or any other Bond Document to be granted to or taken by the Bondholders.

(b) Pursuant to Section 902 of the Indenture, upon the occurrence and continuance of an Event of Default, the Credit Facility Provider 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 thereunder, including, without limitation, (a) the right to accelerate the principal of the Series 2008 Bonds as described herein, and (b) the right to annul any declaration of acceleration. The Credit Facility Provider also shall be entitled to approve all waivers of Events of Default.

(c) Whenever the consent of the Bondholders is required under the Indenture, the Credit Facility Provider's consent shall be required.

(d) Any reorganization or liquidation plan with respect to the Corporation must be acceptable to the Credit Facility Provider. In the event of any such reorganization or liquidation, the Credit Facility Provider shall have the right to vote on behalf of all Bondholders who hold Series 2008 Bonds guaranteed thereby, absent a payment default by the Credit Facility Provider.

Payment Procedure Under Bond Insurance Policy.

Pursuant to the Indenture, the Trustee is irrevocably designated, appointed, directed, and authorized to act as attorney-in-fact for Registered Owners of the Series 2008 Bonds as follows:

(i) if and to the extent there is a deficiency in amounts required to pay interest on the Series 2008 Bonds, the Trustee shall (a) execute and deliver to the Credit Facility Provider, in form satisfactory to the Credit Facility Provider, an instrument appointing the Credit Facility Provider as agent for such Registered Owners in any legal proceeding related to the payment of such interest and an assignment to the Credit Facility Provider of the claims for interest to which such deficiency relates and which are paid by the Credit Facility Provider, (b) receive as designee of the respective Registered Owners (and not as Trustee) in accordance with the tenor of the Bond Insurance Policy payment from the Credit Facility Provider with respect to the claims for interest so assigned, and (c) disburse the same to such respective Registered Owners; and

(ii) if and to the extent of a deficiency in amounts required to pay principal of the Series 2008 Bonds, the Trustee shall (a) execute and deliver to the Credit Facility Provider, in form satisfactory to the Credit Facility Provider, an instrument appointing the Credit Facility Provider as agent for such Registered Owner in any legal proceeding related to the payment of such principal and an assignment to the Credit Facility Provider of the Series 2008 Bond surrendered to the Credit Facility Provider in an amount equal to the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Credit Facility Provider is received), (b) receive as designee of the respective Registered Owners (and not as Trustee) in accordance with the tenor of the Policy payment therefore from the Credit Facility Provider, and (c) disburse the same to such Registered Owners.

To the extent the Credit Facility Provider makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Series 2008 Bonds, the Credit Facility Provider will be subrogated to the rights of such Registered Owners to receive the amount of such principal and interest from the Corporation, with interest thereon, as provided and solely from the Rentals, Additional Rentals, and other revenues, moneys, and receipts derived by the Corporation pursuant to the Lease and the Series 2008 Bonds; and they will accordingly pay to the Credit Facility Provider the amount of such principal and interest, with interest thereon, as provided in the Lease and the Series 2008 Bonds, but only from the Rentals, Additional Rentals, and other revenues, moneys, and receipts derived by the Corporation pursuant to the Lease, and will otherwise treat the Credit Facility Provider as the Owner of such rights to the amount of such principal and interest.

Payment Procedure Under Reserve Policy. All amounts on deposit in the funds held under the Indenture, excepting the Rebate Fund, shall be expended solely for the payment of the principal of, and redemption premium, if any, and interest on, the Series 2008 Bonds as provided in Article V of the Indenture before any drawing may be made on the Reserve Policy or the Bond Insurance Policy.

At least two (2) Business Days prior to each Payment Date for the Series 2008 Bonds, the Trustee will determine whether there will be sufficient funds to pay all principal of and interest on the Series 2008 Bonds due on the related Payment Date and shall immediately notify the Credit Facility Provider or its

designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency, in accordance with the terms of the Reserve Policy.

Investment of Moneys. Moneys held in the Project Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Rebate Fund created in the Indenture shall, pursuant to written direction of the City, signed by the Treasurer or its designee, and in accordance with any Tax Compliance Agreements, be invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the holder prior to the date such funds will be needed. In the absence of such direction, the Trustee is authorized to invest moneys in Permitted Investments of the type described in subparagraph 7 of the definition thereof. The Trustee is specifically authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge its normal cash management fees and cash sweep account fees, which may be deducted from income earned on investments. The Trustee may conclusively rely upon the City's written directions as to both the suitability and legality of the directed investments. Unless otherwise provided in the Indenture, any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Permitted Investments shall be credited to such fund or account or as otherwise provided by a Supplemental Indenture, and any loss resulting from such Permitted Investments shall be charged to such fund or account. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund or account is insufficient for the purposes of such fund or account. The Trustee shall transfer any excess moneys in the Debt Service Reserve Fund to the Debt Service Fund after each quarterly valuation as provided in Section 503 of the Indenture. The Trustee may make any and all investments permitted by this Section through its own bond department or short-term investment department. The Trustee shall not be liable for any loss resulting from any investment made in accordance with the Indenture.

Enforcement of Rights Under the Lease. The Corporation shall enforce all of the rights and all of the obligations of the City under the Lease to the extent necessary to preserve the property leased thereunder in good order and repair, and to protect the rights of the Trustee and the Bondholders under the Indenture with respect to the pledge and assignment of the Trust Estate upon the direction of the Credit Facility Provider so long as the Credit Facility Provider has not failed to comply with its obligations under the applicable Credit Enhancement. The Trustee, as assignee of the Lease and the holder of the Indenture, in its name or in the name of the Corporation may, and upon the direction of the Credit Facility Provider so long as the Credit Facility Provider has not failed to comply with its obligations under the applicable Credit Enhancement shall, enforce all rights of the Corporation and all obligations of the City under and pursuant to the Lease for and on behalf of the Bondholders, whether or not the Corporation is in default under the Indenture.

Events of Default. If any one or more of the following events occur, it is defined as and declared to be and to constitute an "Event of Default:"

(a) Failure by the Corporation in the due and punctual payment of any interest on any Bond;

(b) Failure by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the Stated Maturity or other Maturity thereof, or upon proceedings for redemption thereof;

(c) Failure in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Corporation contained in the Indenture or in the Bonds or in any other document or instrument that secures or otherwise relates to the debt and obligations secured by the Indenture, and the continuance thereof for a period of 30 days after written notice given to the

Corporation and the City by the Trustee, or to the Trustee, the City, and the Corporation by the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee may consent in writing to an extension of such time prior to its expiration, and the Trustee will not unreasonably withhold its consent to such an extension if corrective action is instituted by the Corporation or the City within the 30-day period and diligently pursued to completion and if such consent, in its judgment, does not materially adversely affect the interests of the Bondholders; provided, however, that such period shall not extend beyond a total of 90 days without the prior written consent of the Credit Facility Provider so long as the Credit Facility Provider has not failed to comply with its obligations under the applicable Credit Enhancement. Upon receipt of notice of any Event of Default under this subparagraph (c), the City shall have the rights specified in subparagraph (b) of Section 914 of the Indenture; or

(d) An Event of Default under Section 12.1 of the Lease or under Section 20 of the Leasehold Deed of Trust.

Notice of any Event of Default shall be given to the Corporation and the City by the Trustee within thirty (30) days of the Trustee's knowledge thereof pursuant to Section 1001(h) and the City, upon receipt of such notice, shall have the rights specified in Section 914 of the Indenture. In determining whether a payment default has occurred or whether a payment of interest on, principal of, or redemption premium, if any, on the Series 2008 Bonds has been made under the Indenture, no effect shall be given to payments made under the Bond Insurance Policy.

Acceleration of Maturity in Event of Default. If an Event of Default shall have occurred and be continuing, the Trustee may, with the consent of the Credit Facility Provider, and shall at the direction of the Credit Facility Provider or the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding with the consent of the Credit Facility Provider, by notice in writing delivered to the Corporation, the City, and the Credit Facility Provider, declare the principal of all Bonds then Outstanding and the interest accrued thereof immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable, anything in the Indenture or the Bonds to the contrary nothwithstanding. Any acceleration of the Series 2008 Bonds or any annulment thereof shall be subject to the prior written consent of the Credit Facility Provider (if it has not failed to comply with its payments obligations under the Bond Insurance Policy).

Surrender of Possession of Trust Estate; Rights and Duties of Trustee in Possession. Pursuant to Section 3.2 of the Lease, the City is required to provide to the Corporation with a copy to the Trustee and the Credit Facility Provider as early as practicable in each Fiscal Year and in any case no later than three (3) Business Days following the date on which the budget for the next succeeding Fiscal Year is finally approved by the Board of Alderman of the City of either (i) notice of the termination of the Lease or (ii) confirmation that sufficient funds have been budgeted and appropriated to make all payments of Rentals and Additional Rentals for such Fiscal Year. If the Trustee does not receive such notice prior to the last day of any Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If such appropriation has not been made, or if notice of termination has been given, all of the City's right, title, interest, and obligations under the Lease shall terminate without penalty on the last day of the Fiscal Year for which appropriation of Rentals and Additional Rentals has been made. Subject to Section 11.4 of the Lease, failure of the City to budget and appropriate prior to the last day of each Fiscal Year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals during such Fiscal Year, shall constitute an Event of Non-Appropriation.

Upon the occurrence and continuance of any Event of Non-Appropriation, the Corporation may, subject to the prior written consent of the Credit Facility Provider, or shall, at the prior written direction of

the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its obligations under the applicable Credit Enhancement, give notice to the City to vacate the Leased Property immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the City has paid or appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and the Corporation shall, upon direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, without any further demand or notice, (i) terminate the Lease, re-enter the Leased Property and eject all parties in possession therefrom, and use its best efforts to sublease the Leased Property, or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Leased Property, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers, and accounts of the Corporation pertaining thereto, and including the rights and the position of the Corporation under the Lease and to collect, receive, and sequester the Rentals and other revenues, moneys, and receipts derived under the Lease, and out of the same and any moneys received from any receiver of any part thereof pay, and set up proper reserves for the payment of all proper costs and expenses of so taking, holding, and managing the same, including (i) reasonable compensation to the Trustee, its agents and counsel, and (ii) any charges or expenses of the Trustee and its agents and counsel under the Indenture, and the Trustee shall apply the remainder of the moneys so received in accordance with Section 909. The collection of such Rentals, revenues, and other receipts, or the application thereof as aforesaid, shall not cure or waive any default or notice of default under the Indenture or invalidate any act done in response to such default or pursuant to notice of default. Whenever all that is due upon the Bonds shall have been paid and all defaults cured, the Trustee shall surrender possession of the Trust Estate to the Corporation, its successors or assigns, the same rights, however, to exist upon any subsequent Event of Default.

Appointment of Receivers in Event of Default. If an Event of Default shall have occurred and be continuing, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee or of the Bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the earnings, income, products, and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Exercise of Remedies by the Trustee. Subject to the provisions of Article VI of the Indenture, upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or equity by suit, action, mandamus, or other proceeding to enforce the payment of the principal of and interest on the Bonds then Outstanding, and enforce and compel the performance of the duties and obligations of the Corporation as in the Indenture set forth or to enforce or realize upon any of the rights, powers, liens, or interests granted to the Trustee. Upon the occurrence of an Event of Default, the Trustee may exercise any of the rights and remedies of a secured party under the UCC or other applicable laws and require the Corporation to assemble any collateral covered and make it available to the Trustee at a place to be designated by the Trustee which is reasonably convenient to both parties.

Exercise of Rights and Powers. If an Event of Default shall have occurred and be continuing, and if requested so to do by the Holders of 25% in aggregate principal amount of Bonds then Outstanding and indemnified as provided in subparagraph (l) of Section 1001 of the Indenture the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders. All rights of action under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondholder, and any recovery or judgment shall,

subject to Section 909 of the Indenture, be for the equal benefit of all the Registered Owners of the Outstanding Bonds.

Limitation on Exercise of Remedies by Bondholders. No Bondholder shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture unless: (a) a default has occurred of which the Trustee has been notified or is deemed to have notice, as provided in subparagraph (h) of Section 1001 of the Indenture; (b) such default shall have become an Event of Default; (c) the Holders of 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit, or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in subparagraph (l) of Section 1001 of the Indenture; and (d) the Trustee shall thereafter fail or refuse to exercise the powers in the Indenture granted or to institute such action, suit, or proceeding in its own name; and such notification, request, and provision of indemnity are declared in every case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture, it being understood and intended that no one or more Bondholders shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his, or their action, or to enforce any right under the Indenture except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner in the Indenture provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Bondholder to payment of the principal of, and redemption premium, if any, and interest on any Bond at and after its Maturity or the obligation of the Corporation to pay the principal of, and redemption premium, if any, and interest on, each of the Bonds to the respective Registered Owner thereof at the time, place, from the source, and in the manner in the Indenture and in such Bond expressed.

Right of Bondholders to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, but subject to the rights of the Credit Facility Provider as provided in Article VI of the Indenture, the Holders of a majority in aggregate principal amount of Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceedings directed would subject it to personal liability.

Application of Moneys in Event of Default. Upon an Event of Default, all moneys received by the Trustee pursuant to the Lease or pursuant to any right given or action taken under the Indenture, shall, after payment of the (i) cost and expenses of the proceedings resulting in the collection of such moneys, and (ii) of the fees, expenses, liabilities, and advances incurred or made by the Trustee, be deposited in the Debt Service Fund and any other fund created for the payment of Bonds and all moneys so deposited in the Debt Service Fund or such other fund shall be applied as follows:

(a) If the principal of all the Bonds shall not have become due or shall not have been declared due and payable, all such moneys shall be applied:

First -- To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments of interest became due and payable, and, if

the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second -- To the payment to the persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Bonds which shall have become due and payable (other than Bonds called for redemption for the payment of which moneys are held pursuant to the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due and payable, and, if the amount available shall not be sufficient to pay in full all Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and redemption premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First -- To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments of interest became due and payable and, if the amount available shall not be sufficient to pay such amounts in full, then to the payment ratably, according to the amounts due, to the persons entitled thereto, without any discrimination or privilege; and

Second -- To the payment to the persons entitled thereto of unpaid principal of and redemption premium, if any, then due and unpaid on all of the Bonds, without preference or priority of principal or premium of any Bond over principal or premium of any other Bond, ratably, according to the amounts due respectively for principal and redemption premium, if any, to the persons entitled thereto, without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the Indenture then, subject to subparagraph (b) of this Section, in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with subparagraph (a) of this Section.

Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Opportunity of City to Purchase Corporation's Interest in Event of Default and to Cure Defaults. Upon receipt of notice by the City of an Event of Default pursuant to subparagraph (c) of Section 901 of the Indenture, the Corporation grants the City full authority, on account of the Corporation, to perform any covenant, agreement, or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Corporation, with full power to do any and all things and acts to the same extent that the Corporation could do and perform any such things and acts in order to remedy such default.

Supplemental Indentures Not Requiring Consent of Bondholders. Subject to the provisions of Section 1103, the Trustee and the Corporation, with prior written notice to the Credit Facility Provider (so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement), but without the consent of or notice to any of the Bondholders, may enter into such Supplemental Indenture or Supplemental Indentures as shall not adversely affect the interests of the Bondholders, for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture; (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or any of them; (c) to subject to the Indenture additional revenues, properties, or collateral; (d) to issue Additional Bonds as provided in Section 210 of the Indenture; (e) to effect the release and removal of real property from the Leased Property or to effect the addition of real property to the Leased Property, pursuant to the provisions of Section 8.3 of the Lease; (f) to evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee; and (g) to make any other change which in the sole determination of the Trustee does not materially adversely affect rights of the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select.

Supplemental Indentures Requiring Consent of Bondholders. Exclusive of Supplemental Indentures covered by the preceding Section, and subject to Section 1103 of the Indenture, and except as provided in Article VI of the Indenture, the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding shall have the right, from time to time to consent to and approve the execution by the Corporation and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Corporation and the City for the purpose of modifying, amending, adding to, or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, that, the consent of all the Holders of Bonds then Outstanding shall be required for (a) an extension of the Maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of Bonds, the Holders of which are required to consent to any such Supplemental Indenture.

Except as provided in Article VI of the Indenture, if at any time the Corporation shall request, with the consent of the City, the Trustee to enter into any such Supplemental Indenture for any of the purposes of Section 1102 of the Indenture, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondholder at its address as shown by the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file for inspection by all Bondholders at the principal corporate trust office of the Trustee or such other office as the Trustee shall designate. If within 60 days or such longer period as shall be prescribed by the Corporation following the mailing of such notice, the Holders of not less than the requisite aggregate principal amount of the Bonds and Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof and in the Indenture provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, of the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee of the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Opinion of Bond Counsel. Notwithstanding anything to the contrary in the Indenture, before the Corporation and the Trustee enter into any Supplemental Indenture, there shall have been delivered to the Corporation, the City, and the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their respective terms,

will upon the execution and delivery thereof be valid and binding upon the Corporation in accordance with its terms, and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on any Tax-Exempt Bonds.

Supplemental Base Leases, Leases, and Deeds of Trust Not Requiring Consent of Bondholders. The Corporation and the Trustee shall, with the written consent of the City and the Credit Facility Provider (so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement), but without the consent of or notice to the Bondholders, consent to the execution of any Supplemental Base Lease, Supplemental Lease, or Supplemental Leasehold Deed of Trust as may be required (a) by the Base Lease, the Lease, the Leasehold Deed of Trust, or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) in connection with the issuance of Additional Bonds, (d) to effect the release and removal of real property from the Leased Property or to effect the addition of real property to the Leased Property, pursuant to the provisions of Section 8.3 of the Lease, or (e) in connection with any other change therein which, in the sole determination of the Trustee, does not materially adversely affect the interests of the Trustee or the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select.

Supplemental Base Leases, Leases, and Deeds of Trust Requiring Consent of Bondholders. Subject to the provisions of Section 1013 of the Indenture, and except for Supplemental Base Leases, Supplemental Leases, and Supplemental Leasehold Deeds of Trust as described in the preceding Section, and except as provided in Article VI of the Indenture, none of the Corporation, the City, or the Trustee shall consent to the execution of any Supplemental Base Lease, Supplemental Lease, or Supplemental Leasehold Deed of Trust without the consent of the Credit Facility Provider (so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement) and the mailing of notice and the obtaining of the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and obtained as provided in Section 1102 of the Indenture; provided, that, the consent of all the Holders of Bonds shall be required for (a) the creation of any lien ranking superior to or on a parity with the lien of the Indenture, unless otherwise permitted under the Indenture, or (b) a reduction in the aggregate principal amount of Bonds, the Holders of which are required to consent to any Supplemental Base Lease, Supplemental Lease, or Supplemental Leasehold Deed of Trust. If at any time the Corporation or the City shall request the consent of the Trustee to any such proposed Supplemental Base Lease, Supplemental Lease, or Supplemental Leasehold Deed of Trust, the Trustee shall cause notice of such proposed supplemental document to be mailed in the same manner as provided by Section 1102 of the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed Supplemental Base Lease, Supplemental Lease, or Supplemental Leasehold Deed of Trust and shall state that copies of the same are on file for inspection by all Bondholders at the principal corporate trust office of the Trustee or such other office as the Trustee shall designate.

Opinion of Bond Counsel. Notwithstanding anything to the contrary in the Indenture, before any Supplemental Base Lease, Supplemental Lease, or Supplemental Leasehold Deed of Trust is entered into pursuant to the Indenture, there shall have been delivered to the Corporation, the City, and the Trustee an Opinion of Bond Counsel stating that such supplemental document is authorized or permitted by the Indenture and that such supplemental document complies with the respective terms of the Indenture, the Act, and the Base Lease, the Lease, or the Leasehold Deed of Trust, as applicable, and will upon the execution and delivery thereof be valid and binding upon the Corporation and the City in accordance with its terms, and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on any Tax-Exempt Bonds.

Consent of Credit Facility Provider. Notwithstanding anything to the contrary in the Indenture, any provision of the Indenture, Base Lease, the Lease, or the Leasehold Deed of Trust expressly recognizing or granting rights in or to the Credit Facility Provider may not be amended in any manner which affects the rights of the Credit Facility Provider without the prior written consent of the Credit Facility Provider.

Notice to Rating Agency. The Trustee shall provide to any rating agency rating the Bonds notice of each Supplemental Indenture, Supplemental Base Lease, Supplemental Lease, or Supplemental Deed of Trust and a copy thereof at least 15 days in advance of its execution or adoption.

Satisfaction and Discharge of the Indenture. When all Bonds are deemed to be paid as described in the following Section, and provision shall also be made for paying all other sums payable under the Indenture, including the fees, charges, and expenses of the Trustee and the Paying Agent to the date of redemption of the Bonds, then the right, title, and interest of the Trustee in respect of the Indenture shall thereupon cease, terminate, and be void, and thereupon the Trustee shall cancel, discharge, and release the lien of the Indenture and shall execute, acknowledge, and deliver to the Corporation such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the lien of the Indenture, and shall assign and deliver to the Corporation any property and revenues at the time subject to the Indenture that may then be in its possession, except amounts in the Rebate Fund required to be held therein pursuant to any Tax Compliance Agreement, amounts required to be paid to the City under Section 510 of the Indenture, and funds, or any securities in which such funds are invested by the Trustee for the payment of the principal of, and redemption premium, if any, and interest on, the Bonds.

Bonds Deemed to be Paid. Bonds shall be deemed to be paid within the meaning of Article XIII of the Indenture when payment of the principal of and the applicable redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of Maturity or upon redemption as provided in the Indenture, or otherwise), either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment: (i) moneys sufficient to make such payment, or (ii) Defeasance Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, provided, however, with respect to any deposit referred to in subsection (b) above, the Trustee shall have received (1) a verification report of a nationally recognized independent certified public accounting firm acceptable to the Credit Facility Provider as to the adequacy of the escrow to pay in full the Bonds deemed to be paid; (2) an escrow deposit agreement (which shall be delivered to the Credit Facility Provider at least five Business Days prior to the funding of the escrow); and (3) an Opinion of Bond Counsel, in form and substance acceptable to the Credit Facility Provider, to the effect that the Bonds are no longer "Outstanding" under the Indenture, that such defeasance will not adversely affect the exclusion from federal gross income of interest on any Tax-Exempt Bonds, and that such escrow deposit agreement is valid and enforceable.

At such time as a Bond shall be deemed to be paid as described above, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations; provided, however, that the Indenture shall not be discharged, unless all amounts due to the Credit Facility Provider have been paid.

For the purposes of subsections (a) and (b) above, the term "escrow deposit agreement" shall mean an escrow deposit agreement between the Corporation and/or the City and the escrow agent named therein, which escrow deposit agreement shall provide (i) that any substitution of securities thereunder shall require a verification by an independent certified public accountant and the prior written consent of

the Credit Facility Provider, (ii) that the Corporation will not exercise any optional redemption of the Bonds secured by the escrow deposit agreement or any other redemption other than mandatory sinking fund redemption unless the right to make any such redemption has been expressly reserved in the escrow deposit agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds and, as a condition of any such redemption there shall be provided to the Credit Facility Provider a verification of an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption, and (iii) that the Corporation shall not amend the escrow deposit agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Credit Facility Provider.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the Stated Maturities thereof, no deposit under subsection (b) above shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with Article III of the Indenture or irrevocable instructions shall have been given to the Trustee to give such notice.

Notwithstanding any other provision of the Indenture, all moneys or Defeasance Obligations set aside and held in trust pursuant to Section 1302 of the Indenture for the payment of Bonds (including redemption premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including redemption premium thereon, if any) with respect to which such moneys and Defeasance Obligations have been so set aside in trust.

Only Defeasance Obligations shall be used to effect defeasance of the Bonds unless the Credit Facility Provider otherwise approves. In the event of an advance refunding, the Corporation shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (a) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (b) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (of the authorizing document, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing document, if applicable, shall be controlling.

Bonds to Remain Outstanding. Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Series 2008 Bonds shall be paid by the Credit Facility Provider pursuant to the Credit Enhancement, the Series 2008 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the Trust Estate and all covenants, agreements, and other obligations of the Corporation to the Registered Owners shall continue to exist and shall run to the benefit of the Credit Facility Provider, and the Credit Facility Provider shall be subrogated to the rights of such Registered Owners, including, without limitation, any rights that such Registered Owners may have in respect of securities law violations arising from the offer and sale of the Series 2008 Bonds.

SUMMARY OF BASE LEASE

The following is a summary of certain provisions of the Base Lease, dated as of June 1, 2007, by and between the City and the Corporation (the "*Base Lease*"). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Base Lease, a copy of which is available from the Corporation.

Lease of Leased Property. The City demises and leases to the Corporation the Leased Property and the Corporation leases from the City the Leased Property upon the terms and conditions provided in the Base Lease, subject to Permitted Encumbrances, for a Base Lease Term commencing as of the Closing Date and ending twenty (20) years beyond the final maturity date of the Bonds (the *"Base Lease Term"*); provided, however, that if the Bonds have been paid in full at maturity or defeased pursuant to Article XIII of the Indenture and the City has not been required to surrender possession of the Leased Property due to an Event of Non-Appropriation or an Event of Default under the Lease, the Base Lease will terminate upon such payment in full or defeasance.

Upon acquisition of any additional improvements to the Leased Property not now owned by the City (including without limitation, any Improvements located thereon), the same shall become a part of the Leased Property, and shall be subject to all the terms, covenants, conditions, and provisions contained in the Base Lease, without further action on the part of either party thereto. Each party thereto shall, upon request of the other party or the Trustee, execute such documents and take such actions as shall be deemed necessary by such other party or the Trustee to further evidence or confirm the lease of such Leased Property under the Base Lease.

Assignment, Subleases, and Mortgages. Except for Permitted Encumbrances, the Corporation shall not mortgage or otherwise assign its rights under the Base Lease or sublease the Leased Property without the prior written consent of the City and the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement except in connection with any assignment of its rights as expressly provided for under the Lease.

Rent and Other Considerations. In consideration of the leasing of the Leased Property to the Corporation, and in order to provide funds for the Costs of the Project, the Corporation shall: (a) simultaneously with the delivery of the Base Lease, enter into the Lease; (b) issue, sell and cause to be delivered to the purchasers thereof the Bonds in the principal amount, bearing interest, maturing, and having the other details as set forth in the Indenture; and (c) deposit the proceeds of the sale of the Bonds as provided in the Indenture.

Termination. The Base Lease shall terminate as specified in Section 3.1 thereof; provided, however, in the event the City pays all Rentals and Additional Rentals provided for in Article IV of the Lease and exercises thereafter the option to purchase the Corporation's interest in the remaining Base Lease Term as provided in Article X of the Lease, then the Corporation's interest in the Leased Property created by the Base Lease shall be considered assigned to the City and terminated through merger of the leasehold interest with the fee interest in the Leased Property, if the City is the owner of the fee interest and elects to terminate the leasehold interest so acquired from the Corporation. The Corporation agrees, upon such assignment and termination of the Base Lease Term, to quit and surrender the Leased Property as it then exists.

If an Event of Default under the Lease occurs for any reason, or if the City terminates the Lease and fails to purchase the Corporation's interest in the Leased Property created under the Base Lease as provided in Article X of the Lease, the Corporation shall have the right to possession of the Leased Property for the remainder of the Base Lease Term and shall have the right to sublease the same or sell its interest therein and in the Base Lease upon whatever terms and conditions it deems prudent; provided, that the Leased Property shall always be operated for a lawful purpose.

Default by the Corporation. The City's sole remedy in the event of default by the Corporation of its obligations under the Base Lease shall be an action in equity for specific performance, and the City shall not have the right to exclude the Corporation from the Leased Property or to take possession thereof

(except pursuant to the Lease) or to terminate the Base Lease prior to the termination of the Base Lease Term upon any default by the Corporation under the Base Lease; provided, however that if, upon exercise of the option to purchase the Corporation's interest in the Leased Property pursuant to Article X of the Lease and after the payment of the purchase price specified therein and the other sums payable under the Lease, the Corporation fails to convey its interest therein to the City pursuant to said option, then the City shall have the right to terminate the Base Lease, such termination to be effective 30 days after delivery of written notice of such termination to the Corporation. However, in the event of any default by the Corporation under the Base Lease, the City may maintain an action, if permitted in equity, for specific performance.

SUMMARY OF LEASE

The following is a summary of certain provisions of the Lease Purchase Agreement, dated as of June 1, 2007, by and between the Corporation and the City (the *"Base Lease"*). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Lease, a copy of which is available from the Corporation.

Conveyance; Granting of Leasehold. The Corporation, pursuant to the Lease, rents and leases the Leased Property, subject to Permitted Encumbrances, unto the City, and the City, pursuant to the Lease, rents and leases the Leased Property, subject to Permitted Encumbrances, from the Corporation in consideration of the Rentals and Additional Rentals and subject to the terms and conditions set forth in the Lease. Upon acquisition, pursuant to Section 3.1 of the Base Lease, by the Corporation of a leasehold interest in any property related to or a part of the Leased Property not now owned by the City, the same shall become a part of the Leased Property leased under the Lease, and shall be subject to all the terms, covenants, conditions, and provisions in the Lease contained, without further action on the part of either party.

Term of Lease; Termination; Annual Appropriation Required. The Term of the Lease shall have commenced as of the Closing Date, and shall terminate on the earliest of the occurrence of any of the following events: (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date upon which there occurs an Event of Default by the City under the Lease, if the Corporation or the Trustee has elected, either subject to the prior written consent of the Credit Facility Provider or at the prior written direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement such remedy as provided in Section 12.2 of the Lease; (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease shall be paid by the City; or (iv) discharge of the Indenture as provided in Article XIII of the Indenture.

Upon the expiration or termination of the term of the Lease, the City's right of use of the Leased Property shall terminate and the City shall immediately quit and vacate the Leased Property; provided, however, that all other terms of the Lease, including the City's rights under Article X of the Lease, shall not terminate until the lien of the Indenture is discharged, as provided in the Indenture, and the Indenture and all obligations of the Trustee with respect to the Bondholders and the receipt and disbursement of funds shall continue until the lien of the Indenture is discharged, as provided therein, and further provided that all obligations of the City to pay any amounts to the Bondholders and the Trustee under the Lease shall thereafter be satisfied only as provided in the Indenture. The termination or expiration of the term of the Lease, of itself, shall not discharge the lien of the Indenture.

Subject to the following two paragraphs, the payment obligations of the City under the Lease shall be absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution, or set off whatsoever and shall be sufficient to provide all funds required for debt service on

the Bonds, the funding of the Debt Service Reserve Fund, and all other amounts required under the Indenture.

Nothing in the Lease shall be construed to require the Board of Aldermen to appropriate any money to pay any Rentals or Additional Rentals (except as heretofore appropriated). If the City fails to pay any portion of the Rentals or Additional Rentals which are due under the Lease, upon the request of the Trustee or the Corporation, the City will immediately quit and vacate the Leased Property and the Rentals and Additional Rentals (except for payments which have been theretofore appropriated and are then available for such purpose) shall thereupon cease, it being understood between the parties and the Trustee that the City shall not be obligated to pay any Rentals or Additional Rentals to the Corporation under the Lease except as provided in the Lease. Should the City fail to pay any portion of the required Rentals and Additional Rentals, the Trustee in accordance with the Indenture may immediately bring legal action to evict the City from the Leased Property. No judgment may be entered against the City for failure to pay any Rentals or Additional Rentals, except to the extent that the City has theretofore incurred liability to pay such Rentals or Additional Rentals through its actual use and occupancy of the Leased Property.

The Rentals and Additional Rentals constitute current expenses of the City and the City's obligations under the Lease are from year to year only and do not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the current Fiscal Year. No provision of the Lease shall be construed or interpreted as creating a general obligation or other indebtedness of the City or any agency or instrumentality of the City within the meaning of any constitutional or statutory debt limitation. Neither the execution, delivery, and performance of the Lease nor the issuance of the Bonds directly or indirectly or contingently obligates the City to make any payments under the Lease beyond those payments appropriated for the City's then current Fiscal Year; provided, however, that nothing in the Lease shall be construed to limit the rights of the Bondholders or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture.

In the Lease, the City covenants and agrees that the City's Budget Director, or any other officer at any time charged with responsibility of formulating budget proposals, is directed to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen of the City, in any year during the Lease Term, a request or requests for the Rentals and Additional Rentals which request or requests shall be based on actual Rentals and a reasonable estimate of Additional Rentals. Requests for appropriations shall be made in each Fiscal Year so that the Rentals and a reasonable estimate of Additional Rentals to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the City that the decision to appropriate the Rentals and Additional Rentals to provide financing for the Leased Property pursuant to the Lease shall be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects to appropriate, in each Fiscal Year of the City during the Lease Term, funds in an amount sufficient to pay principal of, redemption premium, if any, and interest, on the Bonds. Upon such appropriation, the Rentals and reasonably estimated Additional Rentals will be available for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease.

As early as practicable, and in any case no later than three (3) Business Days following the date on which the budget for any Fiscal Year is finally approved by the Board of Aldermen, the City shall forward to the Corporation, with a copy to the Trustee and the Credit Facility Provider, either (i) notice of the termination of the Lease or (ii) confirmation that sufficient funds have been budgeted and appropriated to make all payments of Rentals and Additional Rentals for such Fiscal Year. Notice that sufficient funds have been appropriated for such Fiscal Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all

payments of Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required for such Fiscal Year by the terms of the Lease. If the Trustee does not receive such notice prior to the last day of any Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If such appropriation has not been made, or if notice of termination has been given, all of the City's right, title, interest, and obligations under the Lease shall terminate without penalty on the last day of the Fiscal Year for which appropriation of Rentals and Additional Rentals has been made. Subject to Section 11.4 of the Lease, failure of the City to budget and appropriate prior to the last day of each Fiscal Year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals during such Fiscal Year, shall constitute an Event of Non-Appropriation.

The City intends, subject to the provisions above with respect to the failure of the City to budget or appropriate funds to pay Rentals and a reasonable estimate of Additional Rentals, to continue the Lease Term and to pay the Rentals and Additional Rentals under the Lease. The City reasonably believes that legally available funds in an amount sufficient to pay all Rentals and Additional Rentals during the Lease Term can be obtained and, in addition to using its bona-fide best efforts to accomplish the same, shall exhaust all available administrative reviews and appeals, if any, in the event such portion of the budget request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds or to continue the Lease Term is to be made in accordance with the City's normal procedures for such decisions.

Rentals. The City, subject to the provisions of Section 3.2 of the Lease, agrees to pay or cause to be paid the amounts required by the Lease as follows. Until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with Article XIII of the Indenture, the City shall pay to the Trustee as assignee of the Corporation as to the Bonds, in funds which will be immediately available to the Trustee not less than fifteen (15) Business Days before the date any payment is due, as Rentals in respect of the Leased Property, amounts which shall correspond to the payments in respect of the principal of, premium, if any, and interest on the Bonds whenever and in whatever manner the same shall become due, whether at Stated Maturity, upon redemption or acceleration or otherwise (said amounts being defined as *"Rentals"*).

The City covenants and agrees that it will pay Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, or interest on the Bonds shall at any time occur. If the balance in the Debt Service Fund (not subject to the lien of the Trustee under Section 1002 of the Indenture) is less than the sum then required to be on deposit therein in order to pay the principal of, premium, if any, and interest then payable on the Bonds in accordance with the provisions of the Lease, the City will forthwith pay as Rentals any such deficiency to the Trustee for deposit in the Debt Service Fund in immediately available funds, and the Trustee shall deposit such sum accordingly; provided that any amount at any time held by the Trustee in the Debt Service Fund (not subject to the lien of the Trustee under Section 1002 of the Indenture) for the payment of the principal of, premium, if any, and interest on the Bonds shall, at the election of the City, be credited against the Rentals next required to be paid by the City, to the extent such amount is in excess of the amount required for payment of (i) any Bonds theretofore matured or called for redemption plus (ii) past due interest, in all cases where such Bonds have not been presented for payment; and provided, further, that if the amount held by the Trustee in the Debt Service Fund (not subject to the lien of the Trustee under Section 1002 of the Indenture) shall be sufficient to pay at the times required the principal of, premium, if any, and interest on all of the Bonds then remaining unpaid, the City shall not be obligated to pay Rentals.

Additional Rentals. The City shall pay or cause to be paid, subject to the provisions of Section 3.2 of the Lease, as additional rentals (the *"Additional Rentals"*):

(a) To the Trustee amounts equal to the amounts to be paid to the Trustee pursuant to Section 1002 of the Indenture;

(b) all Impositions (as defined in Article VI of the Lease);

(c) all amounts required under Section 15.1 of the Lease which amounts shall be deposited by the Trustee in the Debt Service Fund pursuant to Section 501 of the Indenture;

(d) all costs incident to the payment of the principal of and interest on the Bonds as the same become due and payable, including all costs, premiums and expenses in connection with the call, redemption, and payment of all Outstanding Bonds;

(e) all reasonable fees and expenses of the Credit Facility Provider for the provision of any Credit Enhancement, including all charges, fees, costs, losses, liabilities, and expenses which the Credit Facility Provider may reasonably pay or incur;

(f) the payments, if any, which the City shall be required under the Lease to deposit into the Debt Service Reserve Fund pursuant to the Indenture;

(g) all reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Lease or the Indenture by the Corporation or the Trustee and any reasonable expenses incurred by the Corporation or the Trustee to enable it to comply with the provisions of the Corporation Documents or the City Documents, or any other documents delivered in connection with the Bonds;

(h) all reasonable and necessary fees and expenses due the Corporation incurred in connection with the Bonds, or the establishment and maintenance of the Corporation's status as a Missouri nonprofit corporation;

(i) all amounts required to be rebated to the United States of America with respect to the Tax-Exempt Bonds, as provided in the Indenture;

(j) any and all additional amounts owed by the City in connection with the Lease.

Without limiting the generality of the foregoing, all undertakings and obligations of the Corporation with respect to the Credit Facility Provider under Section 602 (i) and (j) of the Indenture shall be the undertakings and obligations of the City with respect to the Credit Facility Provider as if expressly set forth in the Lease.

Rentals and Additional Rentals, Payable without Abatement or Set-Off; City Obligations, Assignments of Rentals and Certain Additional Rentals. Subject to the provisions of Section 3.2 of the Lease, the City covenants and agrees with and for the express benefit of the Corporation and the Holders of all Outstanding Bonds that all payments of Rentals and Additional Rentals shall be made by the City on or before the date the same become due, and the City shall perform all of its other obligations, covenants and agreements under the Lease without notice or demand, and without abatement, offset, deduction, set off, counterclaim, recoupment, or defense, or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and shall be sufficient to provide all funds required for debt service on the Bonds, for funding of the Debt Service Reserve Fund, and for all other amounts required under the Indenture.

Nothing in the Lease shall be construed as a waiver by the City of any rights or claims the City may have against the Corporation under the Lease or otherwise, but any recovery upon such rights and claims shall be had from the Corporation separately, it being the intent of the Lease that the City shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements, and covenants under the Lease (including the obligation to pay Rentals and Additional Rentals), subject to the provisions of Section 3.2 of the Lease.

The obligation of the City to pay Rentals and Additional Rentals is subject to the provisions of Section 3.2 of the Lease and does not constitute a general obligation or indebtedness of the City for which the City is obligated to levy or pledge any form of taxation, or for which the City has levied or pledged any form of taxation and shall not be construed to be a debt of the City for any purpose whatsoever or in contravention of any applicable constitutional, statutory, or charter limitation or requirement, but in each Fiscal Year shall be payable solely from the amounts, if any, appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years.

City Covenant with Respect to Public Safety Sales Tax Revenues. The City covenants and agrees that, during each Fiscal Year or portion thereof in which the Bonds remain Outstanding, the City will not use revenues from the Public Safety Sales Tax for any purpose other than (i) payment of Rentals and Additional Rentals with respect to the Series 2008A Bonds during the then-current Fiscal Year, if applicable, and (ii) payments of that portion of the debt service of the Series 2008A Bonds and any subsequent series of bonds refunding or refinancing all or any portion of the Series 2008A Bonds during such then-current Fiscal Year, unless payments of such Rentals and Additional Rentals or debt service, as the case may be, if any, have been provided for.

The Improvements. The City shall construct, install, rehabilitate, and improve the Improvements in accordance with the applicable construction Plans and Specifications, a copy of which shall be made available to the Trustee upon request. The City agrees that the foregoing construction, installation, rehabilitation, and improvement will, with such changes and additions as may be made under the Lease, result in Leased Property suitable for use by the City.

Payment for Costs of the Project. Except as provided in Section 5.4 of the Lease, the Corporation agrees to pay for Costs of the Improvements, costs of funding the Pension Funding Project, and all Costs of Issuance, but solely from the Project Fund pursuant to Section 504 of the Indenture. The Corporation and the City authorize and direct the Trustee to make disbursements of Costs of the Improvements, costs of funding the Pension Funding Project, and all Costs of Issuance from the applicable accounts in the Project Fund upon receipt by the Trustee of Written Requests for Disbursement. The sole obligation of the Corporation described in this paragraph shall be to cause the Trustee to make such disbursements upon receipt of such Written Requests for Disbursement. The Trustee may conclusively rely on any such Written Requests for Disbursement and shall not be required to make any inspection or investigation in connection therewith.

Deficiency of the Project Fund. In the event the aggregate amount of Costs of any portion of the Improvements payable from any account of the Project Fund exceeds the sum of the amount of monies in such account of the Project Fund, plus other moneys contributed by the City and available for construction of the applicable Improvements, such Improvements shall be modified by the City pursuant to the provisions of the Lease to include only those components which can be completed with the aforesaid amounts; provided, that, if any account of the Project Fund shall be insufficient to pay all Costs of the Improvements payable from such account, and to complete such Improvements, as it may be modified, free of liens, the City shall pay, but only from legally available funds, in cash, subject to the provisions of Section 3.2 and as Additional Rentals under Section 4.2, the full amount of any such deficiency by making payments therefor directly to the supplier of materials and services as the same

shall become due, and the City shall hold the Corporation harmless from any obligation to pay such deficiency; provided that the City's obligation to pay such deficiency shall be limited to its current budgeted appropriations for the Improvements and the City shall have no obligation to appropriate additional funds therefor.

Establishment of Completion Date. The Completion Date for the Improvements shall be evidenced to the Trustee by a certificate signed by the City Representative setting forth the Completion Date and stating that, except for amounts retained by the Trustee at the direction of the City Representative to pay any Costs of the Improvements not then due and payable, (i) the construction, installation, rehabilitation, and improvement of the Improvements have been completed substantially in accordance with the Plans and Specifications, and all labor, services, materials, and supplies used in such construction, installation, rehabilitation, and improvement have been paid for, (ii) all of the facilities necessary in connection with the Improvements have been constructed, installed, rehabilitated, and improved in accordance with the Plans and Specifications therefore and all costs and expenses incurred in connection therewith have been paid.

Impositions. The City shall, subject to the provisions of Section 3.2 of the Lease, during the Lease Term, bear, pay, and discharge as Additional Rentals, before the delinquency thereof, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed, or imposed upon or against or be payable for or in respect of the Leased Property or any part thereof or the Corporation's or the City's interest in the Leased Property or the income therefrom or Rentals and other amounts payable under the Lease, including any new taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied, or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments, and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Bonds or the Credit Facility Provider or encumber all or any part of the City's title to or interest in the Leased Property or the Corporation's interest in the Leased Property (all of the foregoing referred to as *"Impositions"*).

Contest of Impositions. The City, the Trustee, and the Credit Facility Provider shall have the right, in the City's name or in the Corporation's name, upon notice to the City, the Trustee, the Corporation, and the Credit Facility Provider to contest the validity or amount of any Imposition which the City is required to bear, pay, and discharge pursuant to the terms of the Lease by appropriate legal proceedings instituted at least 10 days before the Imposition which is being contested becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Corporation, the Credit Facility Provider, or the Trustee shall notify the City that, in the opinion of Counsel, by nonpayment of any such items, the interest of the Corporation, the Trustee, or the Credit Facility Provider in the Leased Property or any part thereof will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments, or charges or provide the Corporation, the Trustee, and the Credit Facility Provider with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation, the Credit Facility Provider, and the Trustee.

Liability Insurance: Indemnification. The City shall, under the City's customary insurance practices (which may include self-insurance subject to availability of appropriation therefor) or otherwise, take such measures as may be necessary to insure against liability for injuries to or disability or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Leased Property or any part thereof during the term of the Lease. The net proceeds of all such self-insurance or other insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid. It is understood that this insurance covers any and all liability of the City and its officers, employees, and agents.

Property Insurance.

(a) Prior to the commencement of, and continuing throughout the period of work on the Improvements located on the Real Property, the City shall maintain an insurance policy insuring (or self insure) the Real Property and any existing improvements thereon against loss or damage by fire, lightning, earthquake, windstorm, hail, explosion, riot, aircraft, smoke, vandalism, malicious mischief, and vehicle damage, and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the full replacement value of such portion of the Real Property and any existing improvements thereon.

(b) The coverage set forth in subsection (a) above shall apply exclusively to the Leased Property and must be available to repair and/or rebuild the Leased Property under all circumstances after the occurrence of an insured peril. Full payment of insurance proceeds up to the required policy dollar limit in connection with the Leased Property shall not be contingent on the degree of damage sustained at other facilities owned or leased by the City. The insurance policies shall explicitly waive any co-insurance penalty.

Any such insurance may be subject to reasonable deductibles and shall name the Trustee and the Corporation as additional insureds or loss payees. Insurance proceeds shall be payable to the City, the Corporation, and the Trustee as their interests appear. No insurance policy may be cancelled or modified absent prior written notification of at least 30 days to the Corporation. Any self-insurance program shall be established and maintained with the City's customary insurance practices. The net proceeds of any such insurance shall be applied as provided in Article XI of the Lease.

(c) Pursuant to Section 16.5, the City shall deliver annually to the Trustee a certificate of the City Representative stating that to the best knowledge of such person the City has performed and observed each and every agreement, covenant, and obligation described in this Section (including, but not limited to those with respect to the amount of coverage contained within subsection (a) above).

Workers' Compensation Insurance. The City agrees throughout the Lease Term to maintain, in connection with the Leased Property, its status as a qualified self-insurer under Chapter 287 of the Missouri Revised Statutes, as amended, with regard to Workers' Compensation Insurance or with the prior written consent of the Credit Facility Provider (so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement), similar reasonable and customary insurance.

Title Insurance. The City shall obtain: (a) an owner's policy of title insurance insuring the City's fee interest in the Leased Property; (b) a leasehold owner's policy of title insurance insuring the Corporation's interest in the Leased Property pursuant to the Base Lease; and (c) a leasehold loan policy of title insurance insuring the Trustee's interest in the Leased Property pursuant to the Leasehold Deed of Trust. Such policies shall be in an amount not less than the aggregate principal amount of Bonds then Outstanding. Such polices shall contain a comprehensive endorsement and any additional endorsements reasonably required by the Corporation. Such policies shall be issued by an insurer as, and shall be in such form as, approved by the Corporation.

Flood Insurance. The City shall maintain flood insurance in an amount not less than the aggregate principal amount of Bonds then Outstanding, unless the Leased Property is determined not to be located in an area designated by the Department of Housing and Urban Development as having special flood hazards.

Assignment by the Corporation. Pursuant to the Granting Clauses of the Indenture, the Corporation is concurrently assigning the Lease and all the rights and interests of the Corporation under the Lease, including pledging and granting to the Trustee a security interest in all moneys receivable under the Lease (except for its rights to receive payments under Section 4.2(g) and (h) of the Lease and its rights to indemnification under the Lease) and in the Leased Property, including pursuant to the Leasehold Deed of Trust, as security for payment of the principal of, premium, if any, and interest on the Bonds.

Assignment, Subleasing, and Licensing by the City. The Lease may not be assigned by the City without the prior written consent of the Corporation, the Trustee, and the Credit Facility Provider (so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement). However, the Leased Property may be subleased by the City, in whole or in part, without such consent, subject, however, to the conditions set forth in the Lease. The City may grant licenses to use all or any portion of the Leased Property in the normal course of business without the consent of the Corporation.

Release of Real Property from and Addition of Real Property to the Lease. Notwithstanding any other provisions of the Lease, the Corporation and the City reserve the right at any time and from time to time upon mutual consent and upon the prior written consent of the Credit Facility Provider (so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement) to amend the Lease and the Base Lease, and the Leasehold Deed of Trust, without the consent of Bondholders, for the purpose of effecting the release of and removal from the Lease and the leasehold estate created by the Lease, and from the Base Lease and the Leasehold Deed of Trust, of any part or parts of the Real Property which has not been improved pursuant to the provisions of the Lease, or for the purpose of effecting the addition to the Lease and the leasehold estate created by the Lease, and to the Base Lease and the Leasehold Deed of Trust, of any additional real property; but prior to or simultaneously with the execution of such amendment, and as a condition precedent thereto, there shall be filed with the Trustee the instruments set forth in the Lease.

Removal of Equipment. The City shall have the right, provided the City is not in default in making Rentals or Additional Rentals under the Lease, to remove from the Leased Property and (on behalf of the Corporation) sell, exchange, or otherwise dispose of, without responsibility or accountability to the Corporation or the Trustee with respect thereto, any items of machinery and equipment which constitute a part of the Equipment and which have become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary or which, in the sound discretion of the City, are otherwise no longer useful to the City in its operations conducted on or in the Improvements, provided that, if the original cost of any single item of Equipment to be sold, exchanged, or disposed of exceeds $25,000 or if the aggregate original cost of such Equipment to be sold, exchanged, or disposed of in any Fiscal Year exceeds $200,000, then, with respect to the proposed removal of such items of Equipment, the City shall obtain the prior written consent of the Credit Facility Provider and comply with the requirements set forth in Section 8.4 of the Lease. All machinery and equipment which shall replace Equipment removed from the Leased Property by the City pursuant to subsection (b) of Section 8.4 shall become and be deemed a part of the Leased Property.

Maintenance, Repairs, and Modifications.

The City shall, at its own expense, maintain, preserve, and keep the respective components of the Leased Property in good repair and condition. The City shall from time to time make all repairs, replacements, and improvements necessary to keep the respective components of the Leased Property in such condition. The Corporation shall not have any responsibility for any of these repairs, replacements, or improvements. In addition, the City shall, at its own expense, have the right to make additions,

modifications, and improvements to the Leased Property, respectively, or any part thereof as the City from time to time may deem necessary or desirable for its municipal purposes; provided, however, the City shall not make any additions, modifications, or improvements which will adversely affect the operation of the Leased Property. Such additions, modifications, and improvements shall not in any way damage the Leased Property nor cause it to be used for purposes other than those authorized under the provisions of municipal, State, and federal law; and the Leased Property, upon completion of any additions, modifications, and improvements described in this Section, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications, and improvements. All additions, modifications, and improvements made by the City pursuant to the authority described in this Section shall (a) be made in a workmanlike manner and in strict compliance with the 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 Leased Property; provided, however, that additions of machinery and equipment installed in the Leased Property by the City and not purchased or acquired from funds deposited with the Trustee under the Lease, not constituting repairs, renewals, or replacements of Equipment under Section 8.4 of the Lease, and not constituting Personal Property Collateral pursuant to Section 17 of the Leasehold Deed of Trust, shall remain the property of the City and may be removed by the City at any time.

The City shall not permit any mechanic's or other lien to be established or remain against any part of the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals, or replacements made by the City pursuant to this Section 9.1 of the Lease; provided that if any such lien is established and the City shall first notify the Corporation and the Trustee, and the Credit Facility Provider, of the City's intention to do so, then the City may in good faith contest any lien filed or established against the Leased Property and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless any of the Corporation, the Trustee, or the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall notify the City that, in the opinion of counsel experienced in the area of local real estate law acceptable to the party sending the notice, by nonpayment of any such item the interest of the Corporation, the Trustee, and the Credit Facility Provider, in the Leased Property will be materially endangered or the Leased Property will be subject to loss or forfeiture, in which event the City shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide the Corporation, the Trustee, and the Credit Facility Provider with full security against any such loss or forfeiture, in a form satisfactory to the Corporation, the Trustee, and the Credit Facility Provider.

Liens. Except as permitted in the preceding Section, the City shall not, directly or indirectly, create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or claim on or with respect to the Leased Property or any part thereof (except for Permitted Encumbrances), other than the respective rights of the Corporation, the City, and the Trustee as provided in the Lease and in the Base Lease and the Leasehold Deed of Trust; provided if any such lien is established, the City shall notify the Corporation, the Trustee, and the Credit Facility Provider of its intention to do so and the City shall follow the requirements as provided in Section 9.1 of the Lease as described above. Except as expressly described in the Lease, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance, or claim if the same shall arise at any time.

Additional Improvements on Leased Property. The City shall have and is given the right, at its sole cost and expense, to construct on portions of the Leased Property not theretofore occupied by buildings or improvements such additional buildings and improvements as the City from time to time may deem necessary or desirable for its governmental purposes. All additional buildings and improvements constructed on the Leased Property by the City, and not purchased or acquired from funds deposited with

the Trustee under the Lease, pursuant to the authority described in this Section shall, during the term of the Lease, remain the property of the City, and the City may add to, alter, or raze and remove the same at any time.

Purchase Option. The City shall have the option to purchase (the *"Purchase Option"*) the Corporation's leasehold interest in the Leased Property and to terminate the Base Lease and the Lease at any time during the Base Lease Term (subject to the requirements described in the following provisions of this subsection (a)) upon payment of the purchase price pursuant to Section 10.2 of the Lease. Except as otherwise described in this Section, the City shall give at least sixty (60) days written notice to the Corporation, the Trustee, and the Credit Facility Provider of its intent to exercise the Purchase Option and so terminate the Base Lease and the Lease. Payment of the purchase price pursuant to Section 10.2 shall constitute exercise of the Purchase Option without further action by the City.

The City may also exercise the Purchase Option if the City receives notice of an Event of Default pursuant to the Lease or pursuant to subsection (a) or (b) of Section 901 of the Indenture or if an Event of Non-Appropriation under Section 11.4 of the Lease has occurred. The City shall give notice of its intent to so exercise the Purchase Option by giving notice thereof to the Corporation, the Trustee, and the Credit Facility Provider not later than 90 days after receipt of notice of any such Event of Default or Event of Non-Appropriation. The City shall make the payment of the purchase price pursuant to Section 10.2 not later than 90 days after it has given notice of its intent to exercise the Purchase Option to the Corporation, the Trustee, and the Credit Facility Provider.

Purchase Price. The purchase price payable by the City in the event of its exercise of the Purchase Option shall be the sum of the following: (a) an amount of money which, when added to the amounts on deposit in the Debt Service Fund and the Debt Service Reserve Fund, will be sufficient to pay in full the Bonds then Outstanding or provide for their payment as provided in Article XIII of the Indenture; plus (b) an amount of money equal to the Trustee's and Paying Agents' fees and expenses under the Indenture, accrued and unpaid, and to accrue until such redemption of the Bonds; plus (c) amounts due and owing to the Credit Facility Provider; plus (d) an amount equal to all of the obligations of the City and the Corporation under each Tax Compliance Agreement; plus (e) reasonable costs incident to the redemption of the Bonds; plus (f) all other Additional Rentals obligations incurred by the City through the date of the purchase; plus (g) the sum of $10.00.

Relative Position of Purchase Option, Indenture, and Leasehold Deed of Trust. The Purchase Option granted to the City as described in this Article shall remain prior and superior to the Indenture, but subordinate to the Leasehold Deed of Trust and may be exercised whether or not the City is in default under the Lease, provided that such default will not result in non-fulfillment of any condition to the exercise of the Purchase Option. The Purchase Option in the Lease granted shall terminate upon the earlier to occur of (a) any termination of the Lease pursuant to Section 10.4, or (b) 90 days following any termination of the Lease other than pursuant to Section 10.4.

Damage, Destruction, and Condemnation. Unless the City shall have exercised the Purchase Option and except as described in the following paragraph, if (i) all or any portion of the Leased Property is destroyed or damaged by fire or other casualty, or (ii) the title to or the temporary use of all or any portion of the Leased Property or the interest of the City or the Corporation therein shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm, or corporation acting under governmental authority, the City shall cause the net proceeds of any insurance or condemnation award to be deposited into the Series 2008B Improvements Account of the Project Fund to be applied to the prompt repair, restoration, modification, or improvement of the Leased Property by the City, free of liens other than Permitted Encumbrances. Any balance of the net proceeds remaining after such work has been completed shall be transferred to the accounts in the Debt Service Fund in a pro-rata

portion equal to the portion of each Series of Bonds then Outstanding, and used in accordance with Section 501 of the Indenture.

If the City determines that the repair, restoration, modification, or improvement of the Leased Property is not economically feasible or in the best interests of the City, then the City shall make provision for the redemption of Outstanding Bonds in an amount equal to the net proceeds of any such insurance or condemnation award rounded to the nearest Authorized Denomination, and such net proceeds (i) shall be transferred to the accounts in the Debt Service Fund in a pro-rata portion equal to the portion of each Series of Bonds then Outstanding, to be applied to the payment of the Outstanding Bonds called for redemption; (ii) shall be used to pay the fees and expenses of the Corporation and the Trustee, together with all other amounts due under the Indenture and under the Lease as provided in Section 4.2 of the Lease; and (iii) shall be used to pay all amounts required to be rebated to the federal government pursuant to the Indenture or each Tax Compliance Agreement. Provided, however, that, if the proceeds of such insurance or condemnation award are insufficient to redeem all Outstanding Bonds, the prior written consent of the Credit Facility Provider shall be required for any partial redemption.

Insufficiency of Net Proceeds. If the net proceeds are insufficient to pay in full the cost of any repair, restoration, modification, or improvement of the Leased Property in accordance with the preceding Section, subject to appropriation of sufficient funds, the City shall complete the work and pay any cost in excess of the amount of the net proceeds, and the City agrees that if, by reason of any such insufficiency of the net proceeds, the City shall make any payments pursuant to the provisions described in this Section, the City shall not be entitled to any reimbursement therefor from the Corporation or any diminution of any amount payable under the Lease.

Event of Non-Appropriation.

(a) Except as described in subsection (b) below, in the event that the Board of Aldermen does not budget and appropriate, specifically with respect to the Lease, on or before the last day of any Fiscal Year of the City, moneys sufficient to pay all Rentals and the reasonably estimated Additional Rentals coming due for the next succeeding Fiscal Year, an Event of Non-Appropriation shall be deemed to have occurred.

(b) Notwithstanding subsection (a) above, no Event of Non-Appropriation shall be deemed to have occurred under the Lease if, during the Fiscal Year subsequent to that in which an event described in subsection (a) above occurs, Rentals and Additional Rentals are timely paid under the Lease, and further provided that on or before the last day of such Fiscal Year the Board of Aldermen shall budget and appropriate specifically with respect to the Lease, moneys sufficient to pay all Rentals and Additional Rentals (or reasonable estimates thereof as to those Additional Rentals which have not been paid) coming due for such Fiscal Year. If an Event of Non-Appropriation shall occur and be continuing, upon receipt of a certificate from a City Representative which states that the City has not appropriated the funds required to be appropriated by the City, or upon receipt of other notice of the occurrence of any Event of Non-Appropriation with respect to the City, the Trustee shall immediately notify the Corporation of such occurrence.

If an Event of Non-Appropriation shall occur, the City shall not be obligated to make payment of the Rentals or Additional Rentals or any other payment provided for in the Lease which accrue beyond the last day of the Fiscal Year for which Rentals or Additional Rentals were appropriated, except for the City's obligation to make payments which are payable prior to the termination of the Lease; provided, however, that the City shall continue to be liable for the amounts payable accrued during such time when the City continues to occupy the Leased Property. The Trustee shall, upon the occurrence of an Event of Non-Appropriation, have all rights and remedies granted to it under the Indenture and as a secured

creditor under State law, as Trustee for the benefit of Bondholders and the Credit Facility Provider, and shall be further entitled to all monies then on hand in all funds and accounts created under the Indenture, other than monies in the Rebate Fund, which shall be used solely as provided in the Indenture and each Tax Compliance Agreement. All property, funds, and rights acquired by the Trustee upon the termination of the Lease as to the City's possessory interest under the Lease by reason of an Event of Non-Appropriation, as provided in the Lease, shall be held by the Trustee under the Indenture for the benefit of the Bondholders and the Credit Facility Provider, as set forth in the Indenture, until the Bonds and the Credit Facility Provider are paid in full.

Upon the occurrence and continuance of any Event of Non-Appropriation, the Corporation may, subject to the prior written consent of the Credit Facility Provider, or shall, at the prior written direction of the Credit Facility Provider, in both cases so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, give notice to the City to vacate the Leased Property immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the City has paid or appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and shall, upon direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, without any further demand or notice, (i) terminate the Lease, re-enter the Leased Property and eject all parties in possession thereof therefrom, and sublease the Leased Property or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Leased Property.

Remedies Regarding City Defaults. Notwithstanding anything in the Lease to the contrary, with the consent of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, the Trustee shall be entitled to sublease the Corporation's interest in the Leased Property to any entity, public or private, for such period as is necessary for the Trustee to obtain sufficient monies to pay in full the principal of, redemption premium if any, and interest on the Bonds, and the obligations of the Trustee with respect to the Bondholders and the receipt and disbursement of funds shall be continuing until the lien of the Indenture is discharged as provided in the Indenture.

Events of Default Defined. The following shall be "Events of Default" under the Lease and the terms "Events of Default" and "Default" shall mean, whenever they are used in the Lease, any one or more of the following events:

(a) Failure by the City to pay any Rentals or Additional Rentals in the amounts and at the times specified in the Lease.

(b) Failure by the City to observe and perform any covenant, condition, or agreement on its part to be observed or performed under the Lease, other than as referred to in subsection (a) of this Section, which is not remedied within thirty (30) days after receipt by the City of written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, the Trustee, or the Credit Facility Provider, unless the Trustee and Credit Facility Provider shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, but is capable of being corrected within a reasonable period of time, none of the Trustee, the Corporation, or the Credit Facility Provider will unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the failure is corrected.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment, or attachment of such consequence as would impair the

ability of the City to carry on its operation, or adjudication of the City as bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings whether voluntary or involuntary instituted under the provisions of the federal bankruptcy laws, as amended, or under any similar acts which may hereafter be enacted.

(d) Failure by the City to immediately vacate the Leased Property upon the request of the Trustee after an Event of Non-Appropriation occurs.

(e) The City shall vacate or abandon the Leased Property, and the same shall remain uncared for and unoccupied for a period of sixty (60) consecutive days.

(f) An event of default (as defined in the Reimbursement Agreement between the City and the Credit Facility Provider with respect to the Reserve Policy) occurs.

The provisions described in this Section are subject to the following limitations: if by reason of force majeure the City is unable in whole or in part to carry out its obligations under the Lease, other than its obligation to pay Rentals or Additional Rentals with respect thereto, the City shall not be deemed in default under the continuance of such inability, provided notice thereof is given to the Corporation, the Trustee, and the Credit Facility Provider. The term "force majeure" as used in the Lease shall mean, without limitation, the following acts of God: strikes, lockouts, or other industrial disturbances; acts of public enemies including acts of terrorism whether foreign or domestic; orders or restraints of any kind of the government of the United States of America, the State, or their respective departments, agencies, or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes, or canals; or any other cause or event not reasonably within the control of the City and not resulting from its negligence. The City agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the City from carrying out its agreement; provided that the settlement of strikes, lockouts, and other industrial disturbances shall be entirely within the discretion of the City, and the City shall not be required to make settlement of strikes, lockouts, and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to the City.

Remedies on Default. Whenever any Event of Default referred to in the preceding Section shall have happened and be continuing, the Trustee, or the Corporation upon the direction of the Trustee, with the prior consent of the Credit Facility Provider so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall have the right, at its option and without any further demand or notice, to take, and shall take upon the prior written direction of the Credit Facility Provider so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, any one or more of the following remedial steps:

(a) By written notice to the City declare all Rentals and Additional Rentals for the Fiscal Year in which the Event of Default occurred to be immediately due and payable and such Rentals and Additional Rentals shall thereupon become immediately due and payable; or

(b) Give the City written notice of intention to terminate the Lease on a date specified in such notice, which date shall not be earlier than thirty (30) days after such notice is given, and foreclose on the Leasehold Deed of Trust, and if all Events of Default have not then been cured, on the date so specified, the City's rights to possession of the Leased Property shall cease and the Lease shall thereupon be terminated, and the Corporation may reenter and take possession of the Leased Property; or

(c) With or without terminating the Lease or foreclosing on the Leasehold Deed of Trust, take possession of the Leased Property, in which event the City shall vacate the Leased Property and take all actions necessary to authorize, execute, and deliver to the Corporation all documents necessary to vest in the Corporation for the remainder of the Lease Term, all of the City's leasehold interest in and to the Leased Property, sell the Corporation's (or its assignee's) interest in the Base Lease, or lease the Leased Property and collect the rentals therefor, for all or any portion of the remainder of its leasehold term upon such terms and conditions as it may deem satisfactory in its sole discretion with the City remaining liable, subject to the provisions of Section 3.2 of the Lease, for any difference between (i) the Rentals and Additional Rentals payable by the City under the Lease during the Lease Term, and (ii) the net proceeds or any purchase price, rents, or other amounts paid by the new purchaser, lessee, or sublessee of the Leased Property, and; provided further, that, in such event, if the Corporation shall receive a payment for sale of its interest or total sub-rentals for sublease that are, after payment of the Corporation's expenses in connection therewith, in excess of the purchase price applicable under Section 10.2 of the Lease at the time of default, plus interest thereon at the interest rate per annum borne by the Bonds, then such excess shall be paid to the City either by the Corporation, its assigns, or its sublessee; or

(d) Without terminating the Lease, reenter the Leased Property or take possession thereof pursuant to legal proceedings or pursuant to any notice provided for by law, and having elected to reenter or take possession of the Leased Property without terminating the Lease, the Corporation shall use reasonable diligence to relet the Leased Property, or parts thereof, for such term or terms and at such rental and upon such other provisions and conditions as the Corporation may deem advisable, with the right to make alterations and repairs to the Leased Property, and no such reentry or taking of possession of the Leased Property by the Corporation shall be construed as an election on the Corporation's part to terminate the Lease, and no such reentry or taking of possession by the Corporation shall, subject to the provisions of Section 3.2 of the Lease, relieve the City of its obligation to pay Rentals or Additional Rentals (at the time or times provided in the Lease), or of any of its other obligations under the Lease, all of which shall survive such reentry or taking of possession, and the City shall continue to pay the Rentals and Additional Rentals specified in the Lease until the end of the Lease Term, whether or not the Leased Property shall have been relet, less the net proceeds, if any, of any reletting of the Leased Property after deducting all of the Corporation's reasonable expenses in or in connection with such reletting, including without limitation all repossession costs, brokerage commissions, legal expenses, expenses of employees, alteration costs and expense of preparation for reletting. Said net proceeds of any reletting shall be deposited in the Debt Service Fund and shall be applied as provided in the Indenture.

Having elected to reenter or take possession of the Leased Property without terminating the Lease or foreclosing on the Leasehold Deed of Trust, the Corporation may, with the prior written consent of the Credit Facility Provider (subject, however, to any restrictions in the Indenture against termination of the Lease), and shall at the written direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, by notice to the City given at any time thereafter while the an Event of Default in the payment of Rentals or Additional Rentals or in the performance of any other obligation under the Lease has occurred and is continuing, elect to terminate the Lease on a date to be specified in such notice, which date shall be not earlier than 30 days after reentry under the preceding paragraph, and if all Events of Default shall not have been cured, on the date so specified the Lease shall thereupon be terminated. If in accordance with any of the foregoing provisions described in this Article the Corporation shall have the right to elect to reenter and take possession of the Leased Property the Corporation may, with the prior written consent of the Credit Facility Provider, and shall at the written direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, enter and expel the City and those claiming through or under the City and remove the property and effects of both or either without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or for preceding breach of covenant. The Corporation may

take whatever action at law or in equity which may appear necessary or desirable to collect rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant of the City under the Lease, or any right of the Corporation described in this subsection.

(e) Take whatever action at law or in equity as may appear necessary or desirable to collect the Rentals and Additional Rentals then due and thereafter to become due during the Term of the Lease, or enforce performance and observance of any obligation, agreement, or covenant of the City under the Lease.

(f) Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Corporation may, at its option and with the prior written consent of the Credit Facility Provider, and shall at the written direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, by notice in writing to the City and the Credit Facility Provider, terminate the City's right of possession under the Lease as to any one or more items of the Equipment, whereupon all right and interest of the City to or in the use of such items shall terminate, and the Corporation may, with the prior written consent of the Credit Facility Provider, and shall at the written direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, cause the City, upon the written demand of the Corporation, at the City's expense, to promptly return any and all such items of the Equipment to the Corporation at a site designated by the Corporation and in good condition, and whether or not the Lease has been terminated, the Corporation may, at its option and with the prior written consent of the Credit Facility Provider, and shall at the written direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, enter upon the premises where any such items of Equipment are located and take immediate possession and remove such items of the Equipment by summary proceedings or otherwise, or may with the prior written consent of the Credit Facility Provider, and shall at the prior written direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, cause the City, at the City's expense, to store, maintain, surrender, and deliver possession of such items of the Equipment to the Corporation at the site specified by the Corporation or by the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, all without liability to the City for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise.

Limitations on Remedies. Notwithstanding any provision of the Lease to the contrary, a judgment requiring a payment of money may be entered against the City by reason of an Event of Non-Appropriation only to the extent that the City fails to vacate the Leased Property as required by the Lease and only as to the following liabilities: (a) the portion of Rentals and Additional Rentals which would otherwise have been payable under the Lease, allocable to any period in which the City continues to occupy the Leased Property; and (b) Rentals, Additional Rentals, or other obligations under the Lease which would otherwise have been payable by the City under the Lease subsequent to termination of the Lease.

Rights of the Credit Facility Provider. Notwithstanding anything to the contrary in the Lease no event shall constitute an Event of Default under the Lease until such event is declared by the Credit Facility Provider to be an Event of Default. In addition, the Trustee and the Corporation shall exercise their remedies and their rights to give waivers and rescind acts provided for in the Lease solely at the direction of the Credit Facility Provider and only if and as directed in writing by the Credit Facility Provider; and provided, further, that such direction shall not be otherwise than in accordance with the provisions of law and of the Lease, and provided, further, that the Trustee shall have the right to decline to

follow any such direction if the Trustee in good faith shall determine that such direction would materially prejudice the rights of the Bondholders. The Credit Facility Provider shall only be entitled to its rights under the Lease and the Indenture, including without limitation its rights of consent, so long as the Credit Facility Provider is not in payment default under the Credit Enhancement, and has not failed, has not ceased or is otherwise unable to act under, or has not wrongfully dishonored a claim against the Credit Enhancement. References in the Lease to the Credit Facility Provider shall have no application when the Credit Facility is not in effect.

Amendments. Except as otherwise provided in the Lease or the Indenture, subsequent to the issuance of Bonds and prior to all of the Bonds being paid in accordance with the Indenture and provision being made for the payment of all sums payable under the Indenture in accordance with Article XIII thereof, the Lease may not be effectively amended, changed, modified, altered, or terminated without the concurring written consent of the Trustee, the Corporation, and the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, given in accordance with the provisions of the Indenture.

Net Lease. The parties to the Lease agree (a) that the Lease is intended to be a net lease, (b) that the payments of Rentals and Additional Rentals are designed to provide the Corporation and the Trustee funds adequate in amount to pay all principal of and interest and any redemption premiums accruing on the Bonds as the same become due and payable, (c) that to the extent that the payments of Rentals and Additional Rentals are not sufficient to provide the Corporation and the Trustee with funds sufficient for the purposes aforesaid, the City, subject to the provisions of Section 3.2 of the Lease, shall be obligated to pay, and it does covenant and agree to pay, upon demand therefor, as Additional Rentals, such further sums of money, in cash, as may from time to time be required for such purposes, and (d) that if, after all of the Bonds are deemed to be paid in accordance with Article XIII of the Indenture and provision has been made for payment of all other sums payable under the Indenture in accordance with Article XIII thereof, the Trustee or the Corporation holds unexpended funds received in accordance with the terms of the Lease, such unexpended funds shall, after payment therefrom of all sums then due and owing by the City under the terms of the Lease and the Indenture, and except as otherwise provided in the Lease and the Indenture, become the absolute property of and be paid over forthwith to the City free and clear of the lien of the Indenture.

SUMMARY OF LEASEHOLD DEED OF TRUST

The following is a summary of certain provisions of the Leasehold Deed of Trust, Security Agreement, and Fixture Filing, dated as of June 1, 2007, by the Corporation for the benefit of the Trustee (the *"Leasehold Deed of Trust"*). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Leasehold Deed of Trust, a copy of which is available from the Corporation.

Granting Clauses. Pursuant to the Leasehold Deed of Trust, the Corporation grants unto the Trustee, in trust, forever, and grants a lien on and a security interest in, all of the Corporation's right to and interest in the following items to the Trustee and the Beneficiary, whether now or hereafter acquired: (1) the Corporation's leasehold interest in the Leased Property pursuant to the Base Lease (*"Leasehold Estate"*), (2) all leases, subleases, licenses, concessions, occupancy agreements, or other agreements (written or oral, now or at any time in effect) which grant a possessory interest in, or the right to use, all or any part of the Leased Property, together with all related security and other deposits (the *"Subleases"*), (3) all of the rents, revenues, income, proceeds, profits, security, and other types of deposits, and other benefits paid or payable by parties to the Subleases (other than the Corporation) under the Subleases, (4) all accessions, replacements, and substitutions for any of the foregoing and all proceeds thereof, (5) all insurance policies, unearned premiums therefor, and proceeds from such policies covering any of the

above property now or hereafter acquired by the Corporation, and (6) all of the Corporation's right to and interest in any awards, remunerations, reimbursements, settlements, or compensation heretofore made or hereafter to be made by any governmental authority pertaining to the Leased Property or any portion thereof. As used in the Leasehold Deed of Trust, the term "Mortgaged Property" shall mean all or, where the context permits or requires, any portion of the above or any interest therein.

Due on Sale or Encumbrance. The Corporation will not, without the prior written consent of the Beneficiary, transfer, convey, or otherwise part with its right to or interest in the Mortgaged Property or any portion thereof, or create or permit or allow to exist or to be created any mortgage, deed of trust, pledge, or other lien or encumbrance on any portion of the Mortgaged Property, other than the Leasehold Deed of Trust, the Base Lease, the Lease, and any other Permitted Encumbrances, and, except as provided in the Lease, the Corporation will not suffer or permit any mechanic's or materialmen's lien or any other lien of any nature whatsoever to attach to any portion of the Leased Property or to remain outstanding against the same or any part thereof; provided, however, that the Corporation shall have the right to contest the validity or amount of any such mechanic's or materialmen's lien or any other lien of any nature whatsoever, as described in the Lease, which right shall survive any termination of the Lease.

Insurance. The Corporation agrees to, at all times, comply or cause the City to comply with the provisions of the Lease relating to maintenance of insurance. In the event the Corporation shall fail to maintain, or shall fail to cause to be maintained, the full insurance coverage required by the Lease and the Leasehold Deed of Trust, the Trustee or the Beneficiary may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same.

Repairs. The Corporation will keep and maintain, or will cause the City to keep and maintain, the Leased Property and every part thereof in good order, repair, and condition at all times, without any liability of the Trustee or the Beneficiary to any person for damage for failure to repair or for any other cause, and the Corporation promptly will make, or will cause the City to make, all needed and proper repairs, restorations, renewals, and replacements thereof, so that at all times the value of the Leased Property and every part thereof shall be fully preserved and maintained, and the Corporation will not cause or permit any waste on or of the Leased Property or any portion thereof or otherwise allow the Leased Property or any part thereof to depreciate in value by any act or neglect. In the event the Corporation shall fail to keep, or shall fail to cause to be kept, the Leased Property or any portion thereof in good repair and operating condition, the Trustee or the Beneficiary may (but shall be under no obligation to) make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefore shall become an additional obligation of the Corporation, which amounts, together with interest thereon from the date of payment by such party at the rate of 2% per annum over and above the interest rate announced from time to time by the Beneficiary as its "prime rate" on commercial loans (or such lower maximum amount permitted by law), the Corporation agrees to pay on demand to the party advancing same.

Condemnation. In the event the Leased Property or any part thereof is taken through condemnation proceedings or by virtue of the exercise of the right of eminent domain or pursuant to governmental action, any and all amounts awarded in any such condemnation proceeding for the taking of the Leased Property, or any part thereof, shall be applied as provided in the Lease. The Corporation shall give the Beneficiary immediate notice, in writing, of the actual or threatened commencement of any condemnation or eminent domain proceeding affecting the Leased Property or any portion thereof.

Taxes. The Corporation covenants and agrees to pay, or cause the City to pay any, and all taxes, assessments, liens, and other charges that may be levied or assessed against the Leased Property, or any part thereof, prior to the time the same shall become delinquent. Within thirty (30) days of receipt of written request of the Beneficiary, the Corporation shall promptly provide the Beneficiary with proof of

payment of such amounts. Notwithstanding the foregoing, however, the Corporation shall have the right to contest the validity or amount of any such taxes, assessments, liens, or other charges, as described in the Lease, which right shall survive any termination of the Lease.

Cure Payments. If the Corporation shall fail to pay or cause to be paid any tax, assessment, lien, or other charge levied or assessed against the Leased Property, or any part thereof, or shall fail to keep and perform any of the covenants and conditions contained in the Leasehold Deed of Trust, the Trustee, the Credit Facility Provider, or the Beneficiary shall be privileged, but shall not be obligated, to pay any such tax, assessment, lien, rent, or other charge, to redeem such property from any sale or foreclosure for taxes or assessments or liens, to effect and pay for insurance required under the Leasehold Deed of Trust, to perform or pay for any other obligations, and to make such other disbursements as are necessary or advisable in the opinion of the Trustee, the Credit Facility Provider, or the Beneficiary to cure any Event of Default under the Leasehold Deed of Trust or protect the lien or the rights of the Trustee and the Beneficiary; any and all such sums of money advanced for such purposes by the Trustee, the Credit Facility Provider, or the Beneficiary shall be deemed additional Indebtedness secured by the Leasehold Deed of Trust and shall be payable on demand with interest accruing from the time so advanced at the rate of 2% per annum over and above the interest rate announced from time to time by the Beneficiary as its "prime rate" on commercial loans (or such lower maximum amount permitted by law), and failure on the part of the Corporation to repay the amounts so advanced on demand shall constitute an Event of Default; provided, however, nothing contained in the Leasehold Deed of Trust shall be construed as requiring the Trustee or the Beneficiary to effect such insurance or to advance or expend money or take any action for any of the purposes aforesaid.

Compliance with Laws. The Corporation shall, and shall cause the City to: (i) comply with all statutes, ordinances, regulations, rules, orders, decrees, and other requirements relating to the Leased Property, or any part thereof, by any federal, State, or local authority, including, without limitation, the Americans with Disabilities Act of 1990, as amended, and (ii) observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including, without limitation, zoning variances, special exceptions, and nonconforming uses), privileges, franchises, and concessions that are applicable to the Leased Property or any part thereof, or that have been granted to or contracted for by the Corporation in connection with any existing or presently contemplated use of the Leased Property or any part thereof. The Corporation shall not initiate or acquiesce in any changes to or termination of any of the foregoing or of zoning design actions affecting the use of the Leased Property or any part thereof without the prior written consent of the Beneficiary.

Inspection of Property. The Corporation shall permit, and shall cause the City to permit, the Beneficiary, the Credit Facility Provider, and the Trustee and their representatives and agents to inspect the Leased Property and the Mortgaged Property, or any portion thereof, from time to time upon reasonable prior telephonic notice during normal business hours and as frequently as the Beneficiary considers reasonable, subject to the provisions of the Base Lease.

Utilities. The Corporation will pay, or will cause the City to pay, all utility charges incurred in connection with the Leased Property and every part thereof, and shall maintain all utility services now or hereafter available for use at the Leased Property and every part thereof.

Security Agreement; Fixture Filing. To secure the Indebtedness, the Corporation also grants to the Beneficiary a security interest in all goods and equipment now owned or hereafter acquired by the Corporation that are intended to be used or are actually used as part of the Leased Property or any portion thereof so as to become fixtures, and all replacements thereof, substitutions therefor, and accessions thereto and cash and non-cash proceeds thereof (the *"Personal Property Collateral"*). The Personal Property Collateral and the Mortgaged Property are collectively referred to as the "Collateral."

The Leasehold Deed of Trust is to be filed for record in the real estate records where the Collateral is located. From the date of its recording, the Leasehold Deed of Trust constitutes a "security agreement" and a financing statement filed as a "fixture filing" for the purposes of the UCC against all of the Collateral which is or is to become fixtures relating to the Leased Property. The information described in this section is provided so that the Leasehold Deed of Trust shall comply with the requirements of the UCC for a mortgage instrument to be effective as a financing statement filed as a fixture filing.

Events of Default; Remedies. In the event any one or more of the following events (each an *"Event of Default"*) shall occur: (a) if there shall be any failure in the payment of any of the Indebtedness secured by the Leasehold Deed of Trust, or any interest thereon, as and when the same shall become due and payable after the expiration of all applicable cure periods, whether by reason of demand, acceleration, or otherwise; (b) if the Corporation's interest in the Mortgaged Property or any portion thereof shall pass to another party by operation of law as the result of any creditor's action, suit, or proceeding; (c) if the Mortgaged Property or any portion thereof or ownership interest therein is sold, transferred, assigned, or in any manner conveyed without the prior written consent of the Beneficiary, except as provided in the Leasehold Deed of Trust or in the Lease; (d) if an Event of Default occurs under the Indenture after giving effect to all applicable cure periods (if any); or (e) if there shall be any failure by the Corporation in the due performance or observance of any covenant, agreement, or condition contained in the Leasehold Deed of Trust or required to be performed or observed by the Corporation (other than those set forth at clauses (a) - (c) hereinabove), and such failure shall continue for a period of ten (10) days after the date of the mailing of a written notice addressed to the Corporation;

THEN, AND IN EACH AND EVERY SUCH EVENT: (1) all of the Indebtedness then outstanding and unpaid and all accrued and unpaid interest thereon shall, at the option of the Beneficiary to be exercised upon the direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, become and be due and payable immediately, anything in the Leasehold Deed of Trust to the contrary notwithstanding; (2) upon demand of the Trustee or the Beneficiary made upon the direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, the Corporation shall forthwith surrender to the Beneficiary the actual possession of all of the Mortgaged Property and it shall be lawful (whether or not the Corporation has so surrendered possession) for the Beneficiary, either personally or by agents or attorneys, forthwith to enter into or upon the Leased Property or any portion thereof and to exclude the Corporation, the agents, and servants of the Corporation, and all parties claiming by, through or under the Corporation, including the City, wholly therefrom, and the Beneficiary shall thereupon be solely and exclusively entitled to possession of said Leased Property and every part thereof, and to use, operate, manage, and control the same, either personally or by managers, agents, servants, or attorneys, for the benefit of the Owners of the Bonds to the fullest extent authorized by law; and upon every such entry, the Beneficiary may, from time to time, at the expense of the Corporation, make all necessary and proper repairs and replacements to any portion of the Leased Property as the Beneficiary in its discretion sees fit, and any amounts so expended shall be due on demand, bear interest at the rate of 2% per annum over and above the interest rate announced from time to time by the Beneficiary as its "prime rate" on commercial loans (or such lower maximum amount permitted by law) and shall be secured; (3) the Trustee, at the request of the Beneficiary made upon the direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall proceed to sell either by himself or by agent or attorney, the Mortgaged Property or any part(s) thereof at public vendue or outcry at the customary place to the highest bidder for cash after first giving notice as required by the statutes of the State and upon such sale the Trustee shall receive the proceeds of such sale and shall execute and deliver a deed or deeds or other instruments of conveyance, assignment, and transfer for the property sold, to the purchaser or purchasers thereof; and (4) so long as

the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, then upon direction of the Credit Facility Provider, the Trustee and/or the Beneficiary shall (or if the Credit Facility Provider has failed to comply with its payment obligations under the applicable Credit Enhancement, the Trustee and/or the Beneficiary may) proceed by suit or suits at law or in equity to enforce the Indebtedness secured by the Leasehold Deed of Trust and/or to foreclose the Leasehold Deed of Trust, and in such event the Trustee shall be entitled to a reasonable fee for his services and the Trustee and the Beneficiary shall be entitled to a reasonable fee for the services of their respective attorneys and agents, and for all expenses, costs, and outlays. Upon or at anytime after the filing of any suit to foreclose the lien of the Leasehold Deed of Trust, the Beneficiary shall be entitled as a matter of right to the appointment of a receiver of the Mortgaged Property or any portion thereof, either before or after sale, without notice and without regard to the solvency or insolvency of the Corporation or the then value of such Mortgaged Property at the time of the application for such receiver, and the Trustee or the Beneficiary may be appointed as such receiver. Such receiver shall have all powers necessary or incidental for the protection, possession, control, management, and operation of the Mortgaged Property, the Leased Property, or any portion thereof.

Upon the foreclosure and/or sale of the Mortgaged Property, or any part thereof, the proceeds of such sale or sales shall be applied as follows: First, to the cost and expense of executing the trust, including reasonable compensation of the Trustee and reasonable attorneys' fees and expenses, outlays for documentary stamps, cost of procuring title insurance commitments, continuing abstracts, title searches, or examinations reasonably necessary or proper, next, to the payment of any and all advances made by the Trustee or the Beneficiary, with interest thereon as hereinabove provided; next, to the payment of the balance of the Indebtedness secured by the Leasehold Deed of Trust, with interest thereon as provided in the Leasehold Deed of Trust; and any surplus thereafter shall be paid to the Corporation or any other party legally entitled thereto; provided that in the event the net proceeds of such sale or sales shall not be sufficient to pay in full the Indebtedness secured by the Leasehold Deed of Trust, the Corporation promises and agrees to pay any deficiency thereon upon demand, with interest.

In addition to the other rights and remedies set forth in the Leasehold Deed of Trust, Beneficiary shall at its option, to be exercised upon the direction of the Credit Facility Provider so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, and without notice or demand, be entitled to enter upon the Leased Property to take immediate possession of the portion of the Mortgaged Property constituting Personal Property Collateral. Beneficiary may and, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, then upon direction of the Credit Facility Provider, shall, sell all or any portion of such Mortgaged Property at public or private sale in accordance with the UCC or in accordance with the foreclosure advertisement and sale provisions under the Leasehold Deed of Trust. In the further event Beneficiary shall dispose of any or all of the portion of the Mortgaged Property constituting Personal Property Collateral after default, the proceeds of disposition shall be applied in the order set forth in the immediately preceding paragraph. The Corporation waives any right of redeeming such Personal Property Collateral whether foreclosure with regarding thereto is coterminous with or separate from foreclosure of the remainder of the Mortgaged Property.

Assignment of Leases. The Corporation assigns and transfers to the Beneficiary as additional security for the payment of the Indebtedness, all present and future leases (subleases) upon all or any part of the Leased Property and agrees to execute and deliver, at the request of the Beneficiary, all further assurances and assignments in the Leased Property as the Beneficiary shall from time to time require. In the event the Corporation, as such additional security, has sold, transferred, and assigned, or may hereafter sell, transfer, and assign, to the Beneficiary, its successors and assigns, any interest of the Corporation as lessor in any Sublease, the Corporation expressly covenants and agrees that if the Corporation, as lessor under any such Sublease so assigned shall fail to perform and fulfill any term,

covenant, condition, or provision in any such Sublease on its part to be performed or fulfilled, at the times and in the manner in any such Sublease provided, or if the Corporation shall suffer or permit to occur any breach or default under the provisions of any such assignment of any Sublease, then and in any such event, such breach or default shall constitute an Event of Default under the Leasehold Deed of Trust.

Beneficiary's Right of Possession in Case of Default. In any case in which under the provisions of the Leasehold Deed of Trust, the Beneficiary has a right to institute foreclosure proceedings, whether before or after the whole principal sum secured by the Leasehold Deed of Trust is declared to be immediately due, or whether before or after the institution of legal proceedings to foreclose the lien of the Leasehold Deed of Trust or before or after sale thereunder, forthwith, upon demand of the Beneficiary to be made upon the direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, the Corporation shall surrender to the Beneficiary, and the Beneficiary shall be entitled to take actual possession of the Leased Property or any part thereof personally, or by its agent or attorneys, as for condition broken. In such event, the Beneficiary in its discretion may, and, upon the direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall with or without force and with or without process of law, enter upon and take and maintain possession of all or any part of the Leased Property, together with all documents, books, records, papers, and accounts of the Corporation or the then owner of the Leased Property relating thereto, and may, and, upon the direction of the Credit Facility Provider, so long as the Credit Facility Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall exclude the Corporation and its agents or servants wholly therefrom and may as attorney in fact or agent of the Corporation, or in its own name as the Beneficiary and under the powers granted, hold, operate, manage and control the Leased Property and conduct the business, if any, thereof, either personally or by its agents, and with full power to use such measures, legal or equitable, as in its discretion or in the discretion of its successors or assigns, may be deemed proper or necessary to enforce the payment or security of the avails, rents, issues, and profits of the Leased Property, including actions for the recovery of rent, actions in forcible detainer, and actions in distress for rent, and with, full power: (a) to cancel or terminate any Sublease for any cause or on any ground which would entitle the Corporation to cancel the same; (b) to elect to disaffirm any Sublease which is then subordinate to the lien of the Leasehold Deed of Trust; (c) to extend or modify any then existing Subleases and to make new leases, which extensions, modifications, and new leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire beyond the maturity date of the Indebtedness and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon the Corporation and all persons whose interests in the Leased Property are subject to the lien of the Leasehold Deed of Trust and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the mortgage indebtedness, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any purchaser; (d) to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments, and improvements to the Leased Property as to the Beneficiary may seem judicious; (e) to insure and reinsure the same and all risks incidental to the Beneficiary's possession, operation and management thereof; and (f) to receive all of such avails, rents, issues, and profits; granting full power and authority to exercise each and every of the rights, privileges, and powers granted at any and all times hereafter, without notice to the Corporation.

Application of Income Received by the Beneficiary. The Beneficiary, in the exercise of the rights and powers in Sections (21) and (22) above conferred upon it, shall have full power to use and apply the avails, rents, issues, and profits of the Mortgaged Property to the payment of or on account of the following, in such order as the Beneficiary may determine: (i) to the payment of the operating expenses of the Leased Property, including cost of management and leasing thereof (which shall include

reasonable compensation to the Beneficiary and its agent or agents, if management be delegated to an agent or agents, and shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims for damages, if any, and premiums on insurance hereinabove described; (ii) to the payment of taxes and special assessments now due or which may hereafter become due on the Leased Property; (iii) to the payment of all repairs, renewals, replacements, alterations, additions, betterments, and improvements on the Leased Property and the expense of placing the Leased Property in such condition as the Beneficiary from time to time may deem necessary; and, (iv) to the payment of the Indebtedness or any deficiency which may result from any foreclosure sale.

Performance Under Base Lease. The Corporation shall at all times fully perform and comply with all covenants, warranties, representations, and other obligations imposed upon it as the tenant under the Base Lease or otherwise under the Base Lease and shall always keep the Base Lease in full force and effect. The Corporation shall immediately deliver to the Beneficiary copies of any notices received from the City. Upon any failure or alleged failure (notwithstanding that the alleged failure may be contested by the Corporation) in the performance by the Corporation of any covenant, warranty, representation, or other obligation imposed upon or assumed by it under the Base Lease, the Beneficiary shall have the absolute and immediate right to perform the same and, subject to the terms and conditions of the Base Lease, to enter upon the Leased Property or any portion thereof, and to take such other actions as the Beneficiary, in its sole opinion, deems necessary or desirable in order to prevent or to cure any such failure by the Corporation.

No Change In Base Lease Terms. The Corporation shall not, without the Beneficiary's prior written consent, (i) terminate, cancel, modify, or amend the Base Lease, or (ii) take or consent to the taking of any action with regard to the fee simple title to the Leased Property or any portion thereof, but rather the fee title to the Leased Property and the Leasehold Estate shall always be separate and distinct as provided in Section (30) of the Leasehold Deed of Trust. The Corporation at all times shall (x) give the Beneficiary immediate notice of any default by any party under the Base Lease and promptly deliver to the Beneficiary copies of each notice of default and all other communications, plans, specifications, and other similar instruments received or delivered by the Corporation in connection with the Base Lease, and (y) furnish to the Beneficiary such information and evidence as the Beneficiary may reasonably require in writing concerning the Corporation's due observance, performance, and compliance with the terms, covenants, and provisions of the Base Lease. Any default of the Corporation under the Base Lease shall be and constitute an Event of Default under the Leasehold Deed of Trust.

No Assignment of Base Lease. Notwithstanding anything to the contrary contained in the Leasehold Deed of Trust, the Leasehold Deed of Trust shall not constitute an assignment of the Base Lease within the meaning of any provision thereof prohibiting its assignment, and the Beneficiary shall have no liability or obligation thereunder by reason of its acceptance of the Leasehold Deed of Trust. The Beneficiary shall be liable for the obligations of the Corporation as tenant arising under the Base Lease for only that period of time which the Beneficiary has acquired, by foreclosure or deed in lieu of foreclosure or otherwise, and is holding all of the Corporation's right and interest therein.

No Merger. So long as the Leasehold Deed of Trust is in effect, there shall be no merger of the Base Lease or any interest therein nor of the Leasehold Estate or any portion thereof with the fee estate in the Leased Property or in any portion thereof by reason of the fact that the Base Lease or such interest therein or the Leasehold Estate may be held directly or indirectly by or for the account of any person who shall hold the fee estate in the Leased Property or any portion thereof. In case the Corporation acquires the Leased Property or any portion thereof, the Leasehold Deed of Trust shall attach to and cover and be a lien upon the fee title or such other estate so acquired in the manner prescribed in the Leasehold Deed of Trust.

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APPENDIX D

FORM OF CO-BOND COUNSEL OPINIONS

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APPENDIX D
FORM OF CO-BOND COUNSEL OPINIONS

June 12, 2008

St. Louis Municipal Finance Corporation
St. Louis, Missouri

The City of St. Louis, Missouri
St. Louis, Missouri

Assured Guaranty Corp.
New York, New York

Siebert Brandford Shank & Co., LLC
as Representatives of the Underwriters
Detroit, Michigan

UMB Bank, N.A., as Trustee
St. Louis, Missouri

Re: $19,445,000 St. Louis Municipal Finance Corporation Taxable Public Safety Sales Tax Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008A (Pension Funding Project)

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by the St. Louis Municipal Finance Corporation (the *"Corporation"*) of the above-referenced bonds (the *"Series 2008A Bonds"*) pursuant to a Resolution adopted by the Corporation on June 4, 2008 (the *"Resolution"*). In such capacity, we have examined such laws and such certified proceedings and other documents and materials as we have deemed necessary to enable us to render this opinion, including the following documents (collectively, the *"Transaction Documents"*):

a. Trust Indenture (the *"Indenture"*), dated as of the June 1, 2008, between the Corporation and UMB Bank, N.A., as trustee (the *"Trustee"*);

b. Base Lease, dated as of June 1, 2008, between the Corporation and The City of St. Louis, Missouri (the *"City"*);

c. Lease Purchase Agreement (the *"Lease"*), dated as of June 1, 2008, between the Corporation and the City;

d. Leasehold Deed of Trust, Security Agreement, and Fixture Filing, dated as of June 1, 2008, by the Corporation for the benefit of the Trustee and the deed of trust trustee named therein;

e. Bond Purchase Agreement, dated June 4, 2008, by and among the Corporation, the City, and Siebert Brandford Shank & Co., LLC, as representative of the Underwriters named therein;

f. Continuing Disclosure Agreement, dated as of June 12, 2008, by and between the City and UMB Bank of St. Louis, N.A., as Dissemination Agent; and

g. Municipal bond insurance policy issued by Assured Guaranty Corp. (the *"Credit Facility Provider"*).

As to questions of fact material to this opinion, we have relied upon representations of the Corporation contained in the Resolution and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We note that (i) various issues with respect to bond insurance in connection with the Series 2008A Bonds are addressed in the opinion of the Vice President and Assistant General Counsel of the Credit Facility Provider; (ii) various issues with respect to the City in connection with the Series 2008A Bonds are addressed in the opinion of the St. Louis City Counselor; and (iii) various issues with respect to the Corporation in connection with the Series 2008A Bonds are addressed in the opinion of the Corporation's Counsel. Except as otherwise stated herein, we express no opinion with respect to those issues. In addition, we express no opinion as to the title to or the description of the property subject to the Indenture, the Lease, or the other Transaction Documents.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Series 2008A Bonds have been duly authorized, executed, and delivered by the Corporation and, when duly authenticated and delivered by the Trustee, will be valid and binding limited obligations of the Corporation payable in accordance with the Indenture, will be entitled to the benefits and security of the Indenture, and will evidence proportionate interests in the right to receive Rentals (as defined in the Indenture) from the City pursuant to the Lease. Neither the Lease nor the Series 2008A Bonds constitute an indebtedness of the Corporation, the City, the State of Missouri (the "*State*"), or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation, and neither the full faith and credit nor the taxing power, if any, of the State, the City, or the Corporation is pledged to the payment of the Rentals or any other payments under the Lease or to the payment of the Series 2008A Bonds.

2. Interest on Series 2008A Bonds is not excludable from gross income of the owners thereof for federal income tax purposes and is not exempt from income taxes imposed by the State under Chapter 143 of the Revised Statutes of Missouri, as amended. We express no opinion regarding any other federal or state tax consequences with respect to the Series 2008A Bonds.

It is to be understood that the rights of the owners of the Series 2008A Bonds and the enforceability of the Series 2008A Bonds, the Resolution, and the Transaction Documents may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity.

Except as set forth in our supplemental opinion of even date herewith, we have not been engaged or undertaken to review the accuracy, adequacy, or completeness of any offering material relating to the Series 2008A Bonds, and we express no opinion relating thereto. This opinion is delivered to you for your use only and it may not be relied upon by any third party for any purpose whatsoever without our prior written consent.

We call to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

By rendering this opinion, we do not undertake to advise you further of any changes in law or fact which may occur or come to our attention after the date hereof.

Very truly yours,

June 12, 2008

St. Louis Municipal Finance Corporation
St. Louis, Missouri

The City of St. Louis, Missouri
St. Louis, Missouri

Assured Guaranty Corp.
New York, New York

Siebert Brandford Shank & Co., LLC
as Representatives of the Underwriters
Detroit, Michigan

UMB Bank, N.A., as Trustee
St. Louis, Missouri

Re: $25,555,000 St. Louis Municipal Finance Corporation Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee), Series 2008B

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by the St. Louis Municipal Finance Corporation (the *"Corporation"*) of the above-referenced bonds (the *"Series 2008B Bonds"*) pursuant to a Resolution adopted by the Corporation on June 4, 2008 (the *"Resolution"*). In such capacity, we have examined such laws and such certified proceedings and other documents and materials as we have deemed necessary to enable us to render this opinion, including the following documents (collectively, the *"Transaction Documents"*):

a. Trust Indenture (the *"Indenture"*), dated as of the June 1, 2008, between the Corporation and UMB Bank, N.A., as trustee (the *"Trustee"*);

b. Base Lease, dated as of June 1, 2008, between the Corporation and The City of St. Louis, Missouri (the *"City"*);

c. Lease Purchase Agreement (the *"Lease"*), dated as of June 1, 2008, between the Corporation and the City;

d. Leasehold Deed of Trust, Security Agreement, and Fixture Filing, dated as of June 1, 2008, by the Corporation for the benefit of the Trustee and the deed of trust trustee named therein;

e. Bond Purchase Agreement, dated June 4, 2008, by and among the Corporation, the City, and Siebert Brandford Shank & Co., LLC, as representative of the Underwriters named therein;

f. Continuing Disclosure Agreement, dated as of June 12, 2008, by and between the City and UMB Bank of St. Louis, N.A., as Dissemination Agent;

g. Tax Compliance Agreement (the *"Tax Compliance Agreement"*), dated as of June 1, 2008, among the City, the Corporation, and the Trustee; and

h. Municipal bond insurance policy issued by Assured Guaranty Corp. (the *"Credit Facility Provider"*).

As to questions of fact material to this opinion, we have relied upon representations of the Corporation contained in the Resolution and the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We note that (i) various issues with respect to bond insurance in connection with the Series 2008B Bonds are addressed in the opinion of the Vice President and Assistant General Counsel of the Credit Facility Provider; (ii) various issues with respect to the City in connection with the Series 2008B Bonds are addressed in the opinion of the St. Louis City Counselor; and (iii) various issues with respect to the Corporation in connection with the Series 2008B Bonds are addressed in the opinion of the Corporation's Counsel. Except as otherwise stated herein, we express no opinion with respect to those issues. In addition, we express no opinion as to the title to or the description of the property subject to the Indenture, the Lease or the other Transaction Documents.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Series 2008B Bonds have been duly authorized, executed, and delivered by the Corporation and, when duly authenticated and delivered by the Trustee, will be valid and binding limited obligations of the Corporation payable in accordance with the Indenture, will be entitled to the benefits and security of the Indenture, and will evidence proportionate interests in the right to receive Rentals (as defined in the Indenture) from the City pursuant to the Lease. Neither the Lease nor the Series 2008B Bonds constitute an indebtedness of the Corporation, the City, the State of Missouri (the *"State"*), or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation, and neither the full faith and credit nor the taxing power, if any, of the State, the City, or the Corporation is pledged to the payment of the Rentals or any other payments under the Lease or to the payment of the Series 2008B Bonds.

2. Interest on the Series 2008B Bonds (including any original issue discount properly allocable to the owners thereof) is excludable from gross income for federal and Missouri income tax purposes. Such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. In addition to the foregoing exceptions, the opinions set forth in this paragraph are subject to the condition that each of the parties to the Tax Compliance Agreement complies with all requirements of the Internal Revenue Code of 1986, as amended (the *"Code"*), that must be satisfied subsequent to the issuance of the Series 2008B Bonds in order that interest thereon (including any original issue discount properly allocable to the owners thereof) be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. Each of the parties to the Tax Compliance Agreement has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Series 2008B Bonds (including any original issue discount properly allocable to the owners thereof) to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2008B Bonds. We express no opinion as to whether the interest on the Series 2008B Bonds (including any original issue discount properly allocable to the owners thereof) is exempt from the tax imposed on financial institutions pursuant to Chapter 148 of the Revised Statutes of Missouri, as amended. The Series 2008B Bonds are not "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

Except as stated in paragraph 2 above, we express no opinion regarding any other federal or state tax consequences with respect to the Series 2008B Bonds.

It is to be understood that the rights of the owners of the Series 2008B Bonds and the enforceability of the Series 2008B Bonds, the Resolution, and the Transaction Documents may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity.

Except as set forth in our supplemental opinion of even date herewith, we have not been engaged or undertaken to review the accuracy, adequacy, or completeness of any offering material relating to the Series 2008B Bonds, and we express no opinion relating thereto. This opinion is delivered to you for your use only and it may not be relied upon by any third party for any purpose whatsoever without our prior written consent.

We call to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

By rendering this opinion, we do not undertake to advise you further of any changes in law or fact which may occur or come to our attention after the date hereof.

Very truly yours,

APPENDIX E

BOOK-ENTRY, CLEARANCE AND SETTLEMENT PROCEDURES

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APPENDIX E

BOOK-ENTRY, CLEARANCE AND SETTLEMENT PROCEDURES

The description that follows of the procedures for record keeping about beneficial ownership of the Series 2008 Bonds, payment of principal of and interest on the Series 2008 Bonds, confirmation and transfer of beneficial ownership interests in the Series 2008 Bonds, and other securities-related transactions is based solely on information furnished by The Depository Trust Company, New York, New York **("DTC")** and has not been independently verified by the City, the Corporation, the Trustee or the Underwriters.

DTC will act as securities depository for the Series 2008 Bonds (for purposes of this Appendix E, the **"Securities"** or **"Series 2008 Bonds"**). The Securities 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 or more fully-registered Security certificates will be issued for each maturity of the Securities, in the aggregate principal amount or maturity amount of such issue, and will be deposited with DTC.

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

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security (**"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 Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities 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 Series 2008 Bonds representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest on payments on, and redemption premium, if any, with respect to the Securities 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 Corporation or Agent 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, Agent, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Corporation or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2008 Bonds are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2008 Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation, the City, the Trustee or the Underwriters take no responsibility for the accuracy thereof.

No one can give any assurance that DTC or any of its direct or indirect Participants, will promptly transfer payments or notices received with respect to the Series 2008 Bonds. The Trustee, the Corporation, the City and the Underwriters are not responsible for the failure of any of those parties to transfer to the Beneficial Owner payments or notices received with respect to the Series 2008 Bonds.

Similarly, no one can give any assurance that any depository will abide by its procedures or that its procedures will not be changed. In the event the Corporation designates a successor securities depository for the Series 2008 Bonds, the successor may establish different procedures.

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APPENDIX F

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
t. 212.974.0100
www.assuredguaranty.com

Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the

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next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:_____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

_____
Counsel

SPECIMEN

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

between

THE CITY OF ST. LOUIS, MISSOURI

and

UMB BANK, N.A.,
St. Louis, Missouri,
as Dissemination Agent

Dated as of June 12, 2008

$45,000,000.00

ST. LOUIS MUNICIPAL FINANCE CORPORATION

$19,445,000.00 Taxable Public Safety Sales Tax Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008A (Pension Funding Project)	$25,555,000.00 Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008B

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of June 12, 2008 (this "Disclosure Agreement") is executed and delivered by The City of St. Louis, Missouri (the "City") and UMB Bank, N.A., as Dissemination Agent (the "Dissemination Agent") in connection with the issuance of $19,445,000.00 St. Louis Municipal Finance Corporation Taxable Public Safety Sales Tax Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008A (Pension Funding Project) and $25,555,000 Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds (City of St. Louis, Lessee) Series 2008B (collectively, the "Series 2008 Bonds"). The Series 2008 Bonds are being issued pursuant to a Trust Indenture, dated as of June 1, 2008 (the "Indenture") between the St. Louis Municipal Finance Corporation (the "Corporation") and UMB Bank, N.A., as Trustee (the "Trustee"). In consideration of the mutual covenants and agreements herein, the City and the Dissemination Agent covenant and agree as follows:

SECTION 1: Purpose of the Disclosure Agreement.

The City and the Dissemination Agent are entering into this Disclosure Agreement for the benefit of the Beneficial Owners of the Series 2008 Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City has determined that the City is the only "obligated person" with responsibility for continuing disclosure within the meaning of the Rule. The City acknowledges that no other party has undertaken any responsibility with respect to any reports, notices or disclosures provided or required under the Disclosure Agreement, and has no liability to any person, including any Beneficial Owner of the Series 2008 Bonds, with respect to the Rule.

SECTION 2: Definitions.

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2008 Bonds (including persons holding Series 2008 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2008 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 SEC for the submission of Annual Reports and Listed Events to the Repositories. The Central Post Office currently approved by the SEC is set forth on **Exhibit B** hereto.

"City" means The City of St. Louis, Missouri.

"Credit Facility Provider" means Assured Guaranty Corp. or any successor thereto or assignee thereof, as issuer of the Bond Insurance Policy.

"Disclosure Representative" shall mean the Comptroller, on behalf of the City, or her successors or designees, or such other person as the City shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means UMB Bank, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

"Lease" means the Lease Purchase Agreement between the Corporation and the City, dated as of June 1, 2008, and any Supplemental Lease.

"Listed Events" means any of the events listed in Section 5(A) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the SEC are set forth in **Exhibit B** hereto.

"Participating Underwriter" means any of the original underwriters of the Series 2008 Bonds required to comply with the Rule in connection with the offering of the Series 2008 Bonds.

"Repository" means each National Repository and each State Repository, if any.

"Rule" means Rule 15c12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"State" means the State of Missouri.

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

SECTION 3: Provision of Annual Reports.

A. The City shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the City's fiscal year (which currently ends on June 30 of each year) commencing with the report for the 2008 Fiscal Year, provide to each Repository and the Credit Facility Provider

an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(A) of this Disclosure Agreement.

B. Not later than fifteen (15) Business Days prior to the date specified in Subsection A above for providing the Annual Report to the Repositories and the Credit Facility Provider, the City shall either provide the Annual Report to the Dissemination Agent with instructions to file the Annual Report as specified in Subsection A above or provide a written certification to the Dissemination Agent and the Trustee (if not the Dissemination Agent) that the City has provided the Annual Report to the Repositories and the Credit Facility Provider.

C. If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date in Subsection B, the Dissemination Agent shall send a notice to each Repository, or the MSRB and the State Repository, if any, and the Credit Facility Provider in substantially the form as **Exhibit A** hereto.

D. The Dissemination Agent shall:

1. if there is no Central Post Office authorized or approved by the SEC for the submission of Annual Reports and Listed Events to the Repositories, 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. 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 and the Credit Facility Provider**,** promptly following receipt of the Annual Report and the instructions required by Subsection B above, provide the Annual Report to the Repositories and the Credit Facility Provider and file a report with the City and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories and the Credit Facility Provider to which it was provided or that the City has certified that it filed the Annual Report**;** and

3. unless the City has provided the Annual Report as provided above, notify the City in each year not later than 90 days and again not later than 30 days prior to the date for providing the Annual Report to the Repositories and the Credit Facility Provider**,** of the date on which its Annual Report must be provided to the Dissemination Agent or the Repositories and the Credit Facility Provider**.**

SECTION 4: Content of the Annual Report.

The City's Annual Report will contain or include by reference the following:

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

(2) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in the Official Statement under the captions:

a) "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS";

b) "LITIGATION";

c) The table in APPENDIX A under the captions "ECONOMIC AND DEMOGRAPHIC DATA—Population Statistics";

d) "ECONOMIC AND DEMOGRAPHIC DATA—Employment";

e) "ECONOMIC AND DEMOGRAPHIC DATA—Economic Development";

f) "ECONOMIC AND DEMOGRAPHIC DATA—Major Employers";

g) "ECONOMIC AND DEMOGRAPHIC DATA—Building and Construction Data";

h) "EMPLOYEES AND EMPLOYEE RELATIONS"; and

i) "RETIREMENT SYSTEMS"

Any or all of the items listed above may be included by specific reference to other documents, including official statements of issues with respect to which the City is an "obligated person," which have been filed with each of the Repositories, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB and clearly identified as such by the City.

SECTION 5: Reporting of Significant Events.

A. Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2008 Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions or events affecting the tax-exempt status of the security;

7. modifications to rights of security holders;

8. optional, contingent or unscheduled bond calls;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Series 2008 Bonds; or

11. rating changes.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of issues with respect to which the City is an "obligated person," which have been filed with each of the Repositories, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB and clearly identified as such by the City.

B. The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any Listed Event, contact the City, inform the Disclosure Representative of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsection F below. For the purpose of this Disclosure Agreement, "actual knowledge" of the Listed Events shall mean knowledge by an officer of the Dissemination Agent with responsibility for matters related to this Disclosure Agreement.

C. Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to Subsection B above or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

D. If knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent and the Credit Facility Provider in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Subsection F below.

E. If in response to a request under Subsection B above, the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify

the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Subsection F below.

F. If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a timely notice of such occurrence with the MSRB and the State Repository, if any, or to National Repositories with a copy to the City and the Credit Facility Provider. Notwithstanding the foregoing, notice of Listed Events described in A(8) and A(9) of this Section need not be given under this subsection any earlier than when the notice (if any) of the underlying event is given to the Beneficial Owners of affected Series 2008 Bonds pursuant to the Indenture.

SECTION 6: 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 SEC. 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 this Disclosure Agreement with respect to that Annual Report or Listed Event unless the City and the Dissemination Agent have actual notice that the Central Post Office has failed to deliver the Annual Report or Listed Event notice to the Repositories.

SECTION 7: Termination of Reporting Obligations.

The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Series 2008 Bonds. If the City's obligations under the Lease are assumed in full by another entity, such entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2008 Bonds, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(A) of this Disclosure Agreement. This Disclosure Agreement shall also terminate upon (i) the Rule being withdrawn, retroactively repealed, or having been found by a court of competent jurisdiction to be invalid in a non-appealable action; or (ii) receipt by the Dissemination Agent, the Trustee (if the Dissemination Agent is not the Trustee) and the City of an opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities to the effect that the Rule is no longer applicable to the Series 2008 Bonds.

SECTION 8: Dissemination Agent.

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Disclosure Agreement. The Dissemination Agent may resign at any time by providing 30 days written notice to the City. The Dissemination Agent also will have no duty or obligation to determine the materiality of the listed events and will not be deemed to be

acting in any fiduciary capacity for the City, any Beneficial Owner or any other party. If at any time there is no other designated Dissemination Agent, the Trustee will be the Dissemination Agent. The initial Dissemination Agent shall be UMB Bank, N.A.

SECTION 9: Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the execution of such amendment by the Dissemination Agent so requested by the City shall not be unreasonably withheld) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

1. If the amendment or waiver related to the provisions of Sections 3A, 4 or 5A of this Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Series 2008 Bonds, or the type of business conducted;

2. The undertaking, as amended or taking into account such waiver, should, in the Opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2008 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

3. The amendment or waiver either (i) is approved by the Bondholders of the Series 2008 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) in the Opinion of Bond Counsel, does not materially impair the interests of the Bondholders or Beneficial Owners of the Series 2008 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement (other than an amendment relating to accounting principles)**,** the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5 of this Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10: Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure

Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

SECTION 11: Default.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, upon receipt of satisfactory indemnity and at the request of any Underwriter, the Credit Facility Provider or the owners of at least 25% aggregate principal amount of outstanding Series 2008 Bonds, shall), or any owner or any Beneficial Owner may take such action 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 this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed to be an Event of Default under the Lease or the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be action to compel performance.

SECTION 12: Duties, Immunities and Liabilities of Trustee and Dissemination Agent.

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by applicable law, the City hereby indemnifies and saves the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no responsibility for the City's failure to report a Listed Event to the Dissemination Agent**.** The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2008 Bonds. **No provision of this Disclosure Agreement shall be interpreted to limit, prohibit, or affect any right of the City or the Dissemination Agent to provide notice to the Beneficial Owners of the Series 2008 Bonds or any other person pursuant to the terms of the Indenture.** Notwithstanding the foregoing, the obligations of the City contained in Section 12 hereof shall survive resignation or removal of the Dissemination Agent and payment of the Series 2008 Bonds.

SECTION 13: Notices.

Any notices or communications to or among any of the parties to this Disclosure Agreement shall be given in the manner as set forth in the Indenture or the Lease to the addresses as follows:

To the City:

The City of St. Louis, Missouri
City Hall, Room 212
1200 Market Street
St. Louis, Missouri 63103
Attention: Comptroller
Telephone/Fax: 314-588-0550

With copy to:

The City of St. Louis, Missouri
City Hall, Room 314
1200 Market Street
St. Louis, Missouri 63103
Attention: City Counselor
Telephone/Fax: 314-622-4956

To the Dissemination Agent:

UMB Bank, N.A.
Attn: Corporate Trust Department
2 South Broadway, Suite 435
St. Louis, Missouri 63102
Telephone/Fax: 314-612-8480 / 314-612-8499

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14: Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters, the Credit Facility Provider, and Bondholders and Beneficial Owners from time to time of the Series 2008 Bonds, and shall create no rights in any other person or entity.

SECTION 15: Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16: Governing Law.

This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

SECTION 17: Severability.

If any provision in this Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 18: Captions.

The captions or headings in this Disclosure Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision or section of this Disclosure Agreement.

SECTION 19: Electronic Means.

The transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suite in the appropriate court of law.

THE CITY OF ST. LOUIS, MISSOURI

[Seal]

By_____
Mayor

By_____
Comptroller

(SEAL)

ATTEST

_____
Register

APPROVED AS TO FORM:

By_____
City Counselor

UMB BANK, N.A., as Dissemination Agent

By_____
Authorized Officer

[Continuing Disclosure Agreement]

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: The St. Louis Municipal Finance Corporation

Name of Bond Issue: The St. Louis Municipal Finance Corporation Taxable Public Safety Sales Tax Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008A (Pension Funding Project) and Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds (City of St. Louis, Missouri, Lessee) Series 2008B

Name of Obligor: The City of St. Louis, Missouri

Date of Issuance: June 12, 2008

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated as of June 12, 2008, between the City and UMB Bank, N.A., as Dissemination Agent. The City has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

DATED:_____

_____
UMB BANK, N.A., as Dissemination Agent
on behalf of The City of St. Louis, Missouri

_____
cc: Comptroller, The City of St. Louis, Missouri
City Counselor, The City of St. Louis, Missouri

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of the date of this Disclosure Agreement:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558-3629
Phone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com
http://www.bloomberg.com/markets/rates/municontacts.html

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpcdata.com
http://www.MuniFILINGS.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999 or (800) 689-8466
Fax: (212) 771-7390
E-Mail: NRMSIR@interactivedata.com
http://www.interactivedata-prd.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com
http://www.disclosuredirectory.standardandpoors.com

Any notices to or filings with the National Repositories and the State Repository, if any, may be effected by sending the notice or filing to Disclosure USA, in accordance with its published procedures, for further submission by Disclosure USA to the appropriate repositories, as follows:

For electronic submissions:

www.DisclosureUSA.org

For paper submissions (permitted only through December 31, 2008):

Mailing Address:
Disclosure USA
P.O. Box 684667
Austin, Texas 78768-4667

Physical Address:
Disclosure USA
600 W. 8th Street
Austin, Texas 78701

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