



June 13, 2006

Keenan S. Rice
Director
MuniCap, Inc.
8340 Governor Ridgely Lane
Ellicott City, Maryland 21043

RE: The Industrial Development Authority of the City of Hazelwood, Missouri, Tax Increment Refunding Revenue Bonds, Series 2003 (370/ Missouri Bottom Road Redevelopment Project) - Continuing Disclosure Agreement - Notices of Default Under Construction Loan Agreement and Notice of Litigation

Dear Mr. Rice:

This notice is being delivered pursuant to the Developer's Continuing Disclosure Agreement dated as of December 1, 2003 between the undersigned St. Louis Mills Limited Partnership, as Developer, and, you, MuniCap, Inc., as Administrator.

Notice of Default

We hereby inform you that we received a written notice of default from the St. Louis Agent (as hereinafter defined) dated March 15, 2006 (the "March Notice") regarding the occurrence of an event of default under that certain Construction Loan Agreement dated as of May 13, 2003 (the "Construction Loan Agreement") among St. Louis Mills Limited Partnership and St. Louis Mills Residual Limited Partnership (collectively, the "St. Louis Borrower"), Bank of America, N.A., as Administrative Agent (the "St. Louis Agent") and the other lenders named therein (the "Lenders"), as amended. The event of default related to a monetary default under indebtedness guaranteed by The Mills Limited Partnership ("TMLP") and The Mills Corporation ("TMC") under a construction loan related to the Pittsburgh Mills Project which, in turn, constitutes an event of default under the Construction Loan Agreement.

We hereby inform you that we received a written notice from the St. Louis Agent dated April 7, 2006 that the St. Louis Borrower is required to pay interest on amounts outstanding under the Construction Loan Agreement at the default rate specified therein as a result of the occurrence of the event of default described in the March Notice. The Default Rate Notice stated that the prior invoice for interest dated March 28, 2006 received by the St. Louis Borrower included regular interest only, enclosed a corrected invoice which calculated interest at the default rate, and stated that the St. Louis Borrower owed an additional \$328,492.38 on or before April 13, 2006.

We hereby inform you that we received a written notice from the St. Louis Agent dated April 11, 2006 (the "Commitment Reduction Notice") stating that the outstanding principal amount of the underlying loan plus the remaining Lenders' commitment to further advances under the Construction Loan Agreement in the amount of \$153,215,950 exceeds the aggregate principal amount permitted thereunder and demanding that on or before May 11, 2006 (a) there be a mandatory reduction in the outstanding principal of the underlying loan by the sum of \$39,395,950 or (b) there be a grant of additional collateral acceptable to the Lenders valued at no less than \$39,395,950. The Commitment

Reduction Notice stated that the obligation to reduce the commitment or post additional collateral was required based on a recent appraisal of the St. Louis mall property and related out-parcels (collectively, the "Property") securing repayment under the Construction Loan Agreement. The appraisal dated as of March 22, 2006 assigned the Property a stabilized value of \$162,600,000 as of January 1, 2008.

We hereby inform you that we received a written notice dated April 11, 2006 from the St. Louis Agent (i) demanding that the St. Louis Borrower cease and desist from making distributions, (ii) demanding the return on or before April 17, 2006 of distributions made to its affiliates on or after March 15, 2006 other than specified pre-event of default cash distributions to Kan Am USA XX Limited Partnership and any distributions made after March 22, 2006 and (iii) requiring the St. Louis Borrower to provide the St. Louis Agent with detailed information concerning its cash management system. These demands were made pursuant to the terms of the Construction Loan Agreement as a result of the events of default described herein and the assessment by the St. Louis Agent that the St. Louis Borrower is insolvent. The notice also stated that the loan made pursuant to the Construction Loan Agreement matures on May 13, 2006 and payment in full was expected on such date.

We hereby inform you that we received a written notice from the St. Louis Agent dated May 1, 2006 (the "May Notice") acknowledging receipt from the St. Louis Borrower of an interest payment in the amount of \$791,848.98 representing interest accrued on the construction loan up to May 1, 2006 calculated at the LIBOR Rate and the LIBOR Margin option specified in the Construction Loan Agreement. The May Notice stated that as a result of the event of default described in the March Notice, the LIBOR Loan option could not be elected by the Borrower and interest on the construction loan commenced accrual at the default rate specified in the Construction Loan Agreement as of the date of such event of default. The May Notice further stated that the correct amount of interest due on May 1, 2006 was \$1,704,857.09 (consisting of (i) \$1,376,364.71 of interest calculated at the default rate and (ii) \$328,492.38 of past due interest) and that \$913,008.11 of the interest payment remained due and owing after applying the \$791,848.98 interest payment made by the St. Louis Borrower.

We hereby inform you that (a) on May 19, 2006, Goldman Sachs Mortgage Company ("GSMC") acquired the loan made to the St. Louis Borrower pursuant to the Construction Loan Agreement and (b) in connection therewith, GSMC entered into a Forbearance Agreement with TMLP and TMC pursuant to which GSMC agreed to forbear from exercising its remedies with respect to, among other things, the events of default identified in this notice.

We will keep you informed of any material developments regarding the matters disclosed in this notice.

Notice of Litigation

Presently, there are several lawsuits being pursued against The Mills Corporation, a beneficial owner of the Developer. The ongoing litigation includes class action lawsuits alleging violations of securities laws, shareholder derivative lawsuits alleging claims on behalf of The Mills Corporation, and a claim alleging violations of The Mills Limited Partnership limited partnership agreement, all as more particularly described in the summary chart attached hereto as Exhibit A. At this time, The Mills Corporation cannot predict what the outcome of these lawsuits will be. The foregoing disclosure is made subject to the qualifications contained in the notes A- C on Exhibit A attached hereto.


ST. LOUIS MILLS LIMITED PARTNERSHIP, a
Delaware limited partnership

By: ST. LOUIS MILLS, L.L.C., its General Partner

By: The Mills Limited Partnership, its Manager

By: The Mills Corporation, its General Partner

By:


Name: Carolyn A. Lange
Title: Vice President- Development Asset
Management

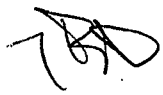


EXHIBIT A

**SHAREHOLDER LITIGATION
AS OF JUNE 5, 2006**

1. Paul C. Berkey v. The Mills Corporation, et al, U. S. District Court, Eastern District of Virginia, Alexandria Division, Case No. 1:06-CV-00247-GBL-LO. Note: this case was consolidated with the case listed in Paragraphs Nos. 2, 3 and 7 below, in Case No. 1:06CV77 (GBLTJR).
2. Irwin Berlin v. The Mills Corporation, et al, US. District Court, Eastern District of Virginia, Case No. 1:06-CV-00077-GBL-TRJ.
3. Fredrick Elliott and C. Bickley Foster v. The Mills Corporation, et al., US District Court, Eastern District of Virginia, Alexandria Division, Case No. 1:06CV304GBL/BRP.
4. Joan Kloc on behalf of The Mills Corporation vs. Laurence C. Siegel et al., U.S. District Court, Eastern District of Virginia. Note: this case was consolidated with the cases listed in Paragraphs Nos. 6, 8, 10 and 11 below, in Case No. 1:06CV0259 (GBL/TJR).
5. Herbert Miller, et. al. v. The Mills Corporation, The Mills Limited Partnership., Delaware Court of Chancery, New Castle County.
6. Marvin Mine on behalf of The Mills Corporation vs. Laurence C. Siegel, et al., U.S. District Court, EDVA Alexandria Division Case No. 1:06CV00259-GLB-LO.
7. Vernon E. Rudolph v. The Mills Corporation, et al., U.S. District Court, EDVA Case No. 1:06CV00265.
8. Nicholas Sofos on behalf of The Mills Corporation, vs. Laurence C. Siegel, et al., U.S. District Court, EDVA Case No. 1:06CV00482 CMH/TCB.
9. Georgann Ruth Srock, on behalf of The Mills Corporation v. Laurence C. Siegel, et al., Circuit Court, for Arlington County, VA Case No. 06294.
10. Arnold R. Stanley on behalf of The Mills Corporation vs. Laurence C. Siegel, et al., U.S. District Court, EDVA Alexandria Division Case No. 1:06CV00280 TSE/TCB.
11. Brian Borden Young on behalf of The Mills Corporation vs. Laurence C. Siegel, et al., U.S. District Court, EDVA Civil Action Case No. 1:06CV00432 GBL/TRJ.

12. In re: Richard G. Tutweiler (Shareholder demand for documents pursuant to Delaware General Corporate Law, Section 220).
13. In the Matter of The Mills Corporation, before the United States Securities and Exchange Division, Enforcement Division.

Notes:

- A. Nothing contained herein shall constitute an admission of liability for any claims asserted in the proceedings described herein.
- B. The listing of a proceeding in this Schedule shall not constitute a determination or acknowledgment that such matter constitutes a "Reportable Contingency" within the meaning of Statements of Financial Accounting Standard No. 5 or that such matter constitutes a "material pending legal proceeding" for purposes of Item 103 of Regulation S-K.
- C. The listing of a proceeding in this Schedule shall not constitute an admission that such proceeding constitutes material litigation for the purposes of the disclosure of which this Exhibit is a part or any other transaction to which the Developer, The Mills Limited Partnership, The Mills Corporation or their respective affiliates are a party.