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Underwriter
Selection
Considerations



*St. Louis Metropolitan Sewer District
August 21, 2008*

The Cost of Debt

- The cost of debt to be paid by MSD is influenced by two main factors:
 - ✓ Initial costs paid to the underwriter in the form of takedown or sales commission.
 - ✓ On-going annual costs paid to bond holders in the form of semi-annual debt service payments.
- To evaluate underwriter proposals, these two components were analyzed on a present value basis to determine the lowest cost to MSD.

Initial Cost

- Underwriters charge a take-down, or commission, for the sale of the bonds.
- This amount is paid at closing, and is always stated in present value dollars.
- The table below indicates that Edward Jones has proposed a take-down higher than that proposed by Stifel Nicolaus.

	<u>Edward Jones</u>	<u>Stifel Nicolaus</u>
Takedown	690,000.00	187,500.00

On-Going Cost

- On-going costs vary with the structure of the debt, based on:
 - ✓ Term and amount of each maturity
 - ✓ Coupon and yield structure (“premium” vs. “par” vs. “discount” structures)
 - ✓ Call features (redemption dates and prices)
- Each of these items has been considered, and the proposals have been adjusted to allow for equal comparisons; the present value results are shown to the right.
- Although Edward Jones presents a higher initial cost, on-going costs are lower for the full term of the borrowing.

Present Value Annual Debt Service					
Date	Edward Jones	Stifel Nicolaus	Date	Edward Jones	Stifel Nicolaus
5/1/2009	707,996	724,781	5/1/2024	675,064	691,068
5/1/2010	1,347,762	1,379,714	5/1/2025	642,536	657,768
5/1/2011	1,282,819	1,313,231	5/1/2026	611,575	626,073
5/1/2012	1,221,006	1,249,952	5/1/2027	582,105	595,906
5/1/2013	1,162,171	1,189,723	5/1/2028	554,056	567,192
5/1/2014	1,106,171	1,132,395	5/1/2029	1,392,243	1,419,068
5/1/2015	1,052,869	1,077,830	5/1/2030	1,324,677	1,349,992
5/1/2016	1,002,136	1,025,894	5/1/2031	1,261,834	1,285,736
5/1/2017	953,848	976,461	5/1/2032	1,201,640	1,224,193
5/1/2018	907,886	929,409	5/1/2033	1,142,453	1,163,690
5/1/2019	864,139	884,625	5/1/2034	1,087,221	1,097,066
5/1/2020	822,500	841,999	5/1/2035	1,035,111	1,043,665
5/1/2021	782,867	801,427	5/1/2036	986,175	993,504
5/1/2022	745,144	762,810	5/1/2037	937,648	943,802
5/1/2023	709,239	726,053	5/1/2038	<u>893,162</u>	<u>898,208</u>
Present Value Total*:			Edward Jones	Stifel Nicolaus	
			28,996,052	29,573,235	

*Present value computed at 5%.

Cost Comparison

- The present value of the initial costs and on-going costs have been combined for a total cost of debt.
- The chart to the right indicates that if the bonds are held to maturity, the Edward Jones proposal represents the lowest cost to MSD.
- However, the bonds have a call-feature that, if exercised, significantly reduces the benefit of the Edward Jones proposal, making the Stifel Nicolaus proposal the least costly option.
- The evaluation of the proposals is largely influenced by the likelihood of a future redemption.

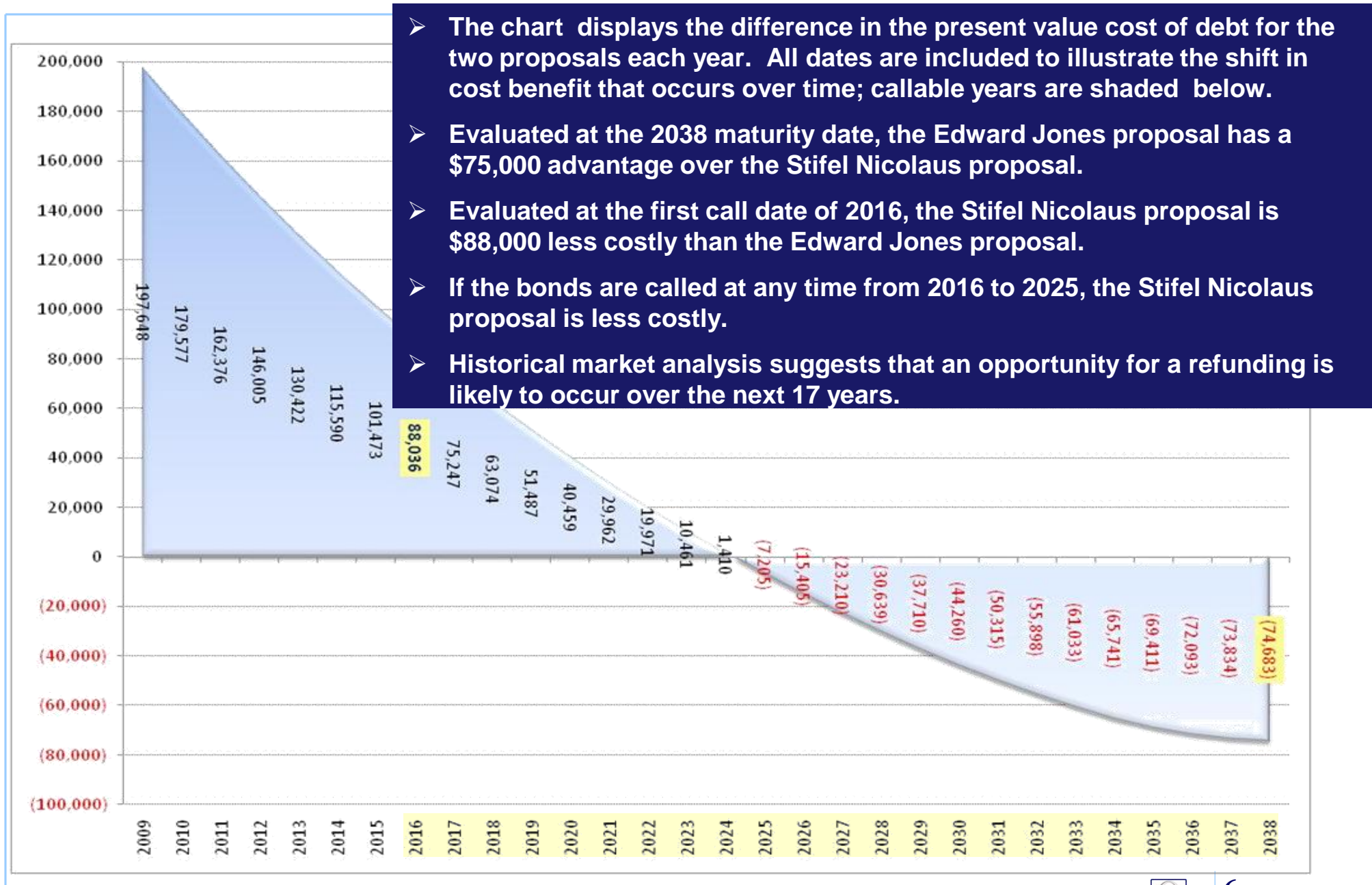
(Cost to Maturity)

	<u>Edward Jones</u>	<u>Stifel Nicolaus</u>
PV Adjusted Debt Service:	\$28,996,052.15	\$29,573,235.12
Takedown:	<u>690,000.00</u>	<u>187,500.00</u>
Total Cost:	\$29,686,052.15	\$29,760,735.12
PV Benefit:	\$74,682.97	

(Cost to 8-Year Par Call)

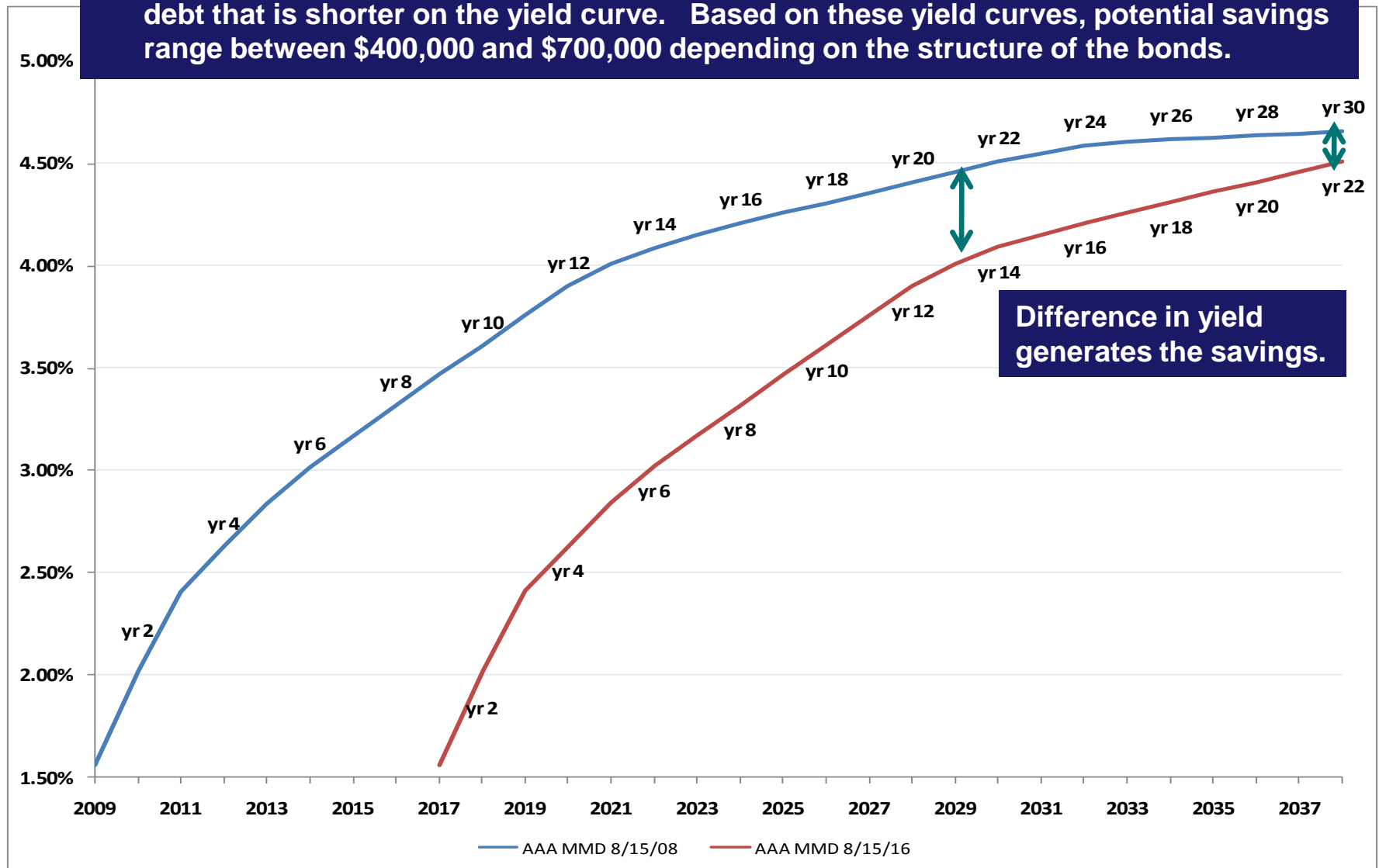
	<u>Edward Jones</u>	<u>Stifel Nicolaus</u>
PV Adjusted Debt Service:	\$29,427,101.96	\$29,841,565.56
Takedown:	<u>690,000.00</u>	<u>187,500.00</u>
Total Cost:	\$30,117,101.96	\$30,029,065.56
PV Benefit:		\$88,036.40

Comparison of Annual Present Value Cost: (Edward Jones -Stifel Nicolaus)



Refunding Opportunity: No Rate Movement

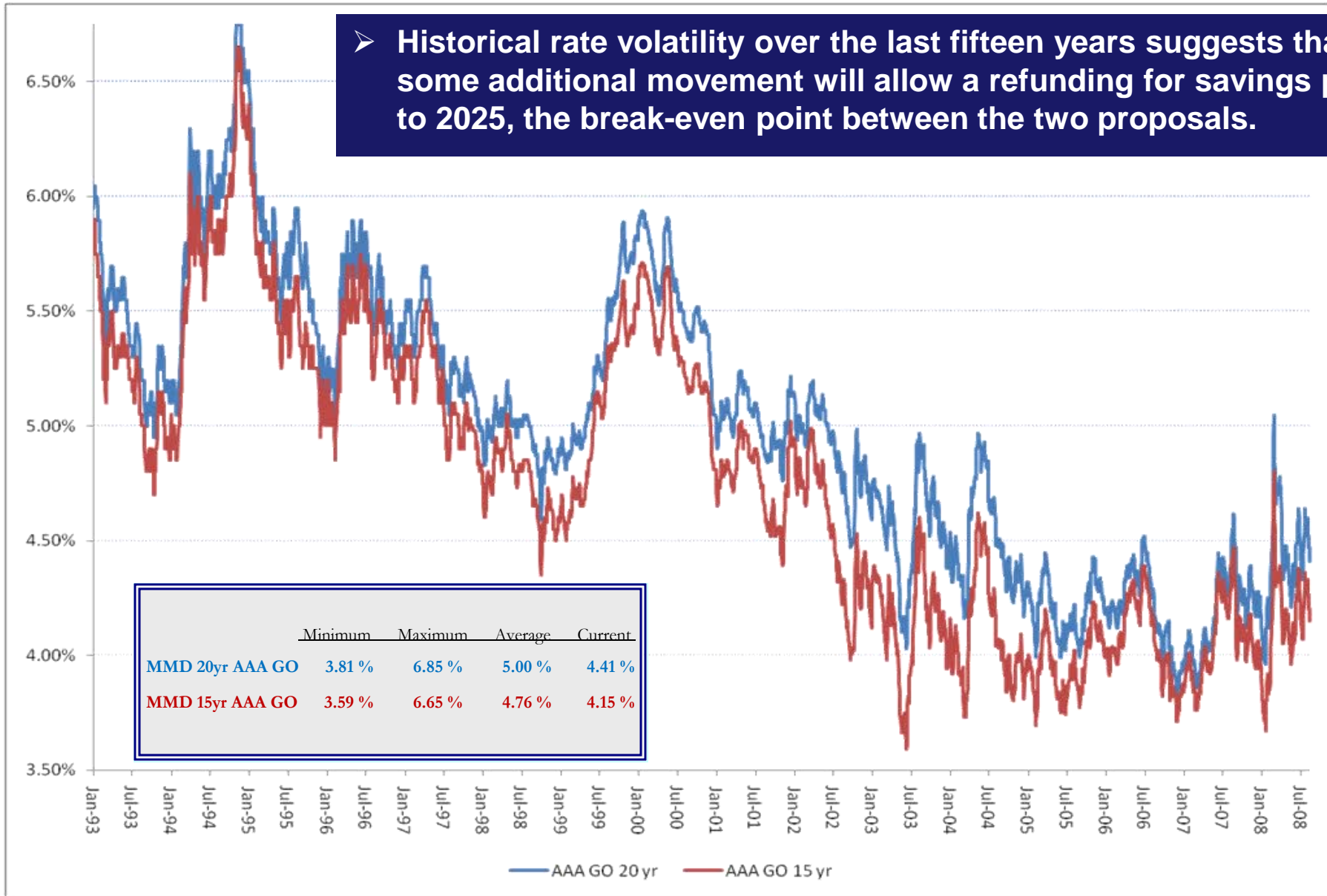
➤ If rates are held constant over the next eight years, MSD will have the opportunity to refund the bonds for savings, as a result of being able to replace the current debt with debt that is shorter on the yield curve. Based on these yield curves, potential savings range between \$400,000 and \$700,000 depending on the structure of the bonds.



Difference in yield generates the savings.

Historical 15-year and 20-year MMD

➤ Historical rate volatility over the last fifteen years suggests that some additional movement will allow a refunding for savings prior to 2025, the break-even point between the two proposals.



Recommendations

- Affirm Stifel Nicolaus as lead manager.
 - ✓ Institutional and retail capabilities
 - ✓ Lowest cost indicative pricing proposal
- Include Edward Jones, Siebert Brandford Shank and Ramirez in syndicate.
- Provide for selling group of Missouri firms.

Metropolitan St. Louis Sewer District

Considerations Regarding the Use of Build America Bonds



Build America Bonds (BABs) - Basics



- ARRA authorizes the issuance of taxable Build America Bonds with Federal subsidy.
 - Can be issued for same purposes as tax-exempt governmental bonds.
 - Federal government pays a 35% subsidy of the taxable interest cost.
 - Tax credit to the issuer in an amount due on each payment date (Direct Payment BABs); or
 - Federal government allows 35% tax credit to bondholder (Tax Credit BABs).
 - Authorization sunsets at the end of 2010.
 - Issuer must designate the bonds as BABs before issuance.
 - Issuer must file payment request prior to each payment date.

Market Acceptance



- The market has become comfortable with BABs transactions, including those with traditional ten-year par calls.

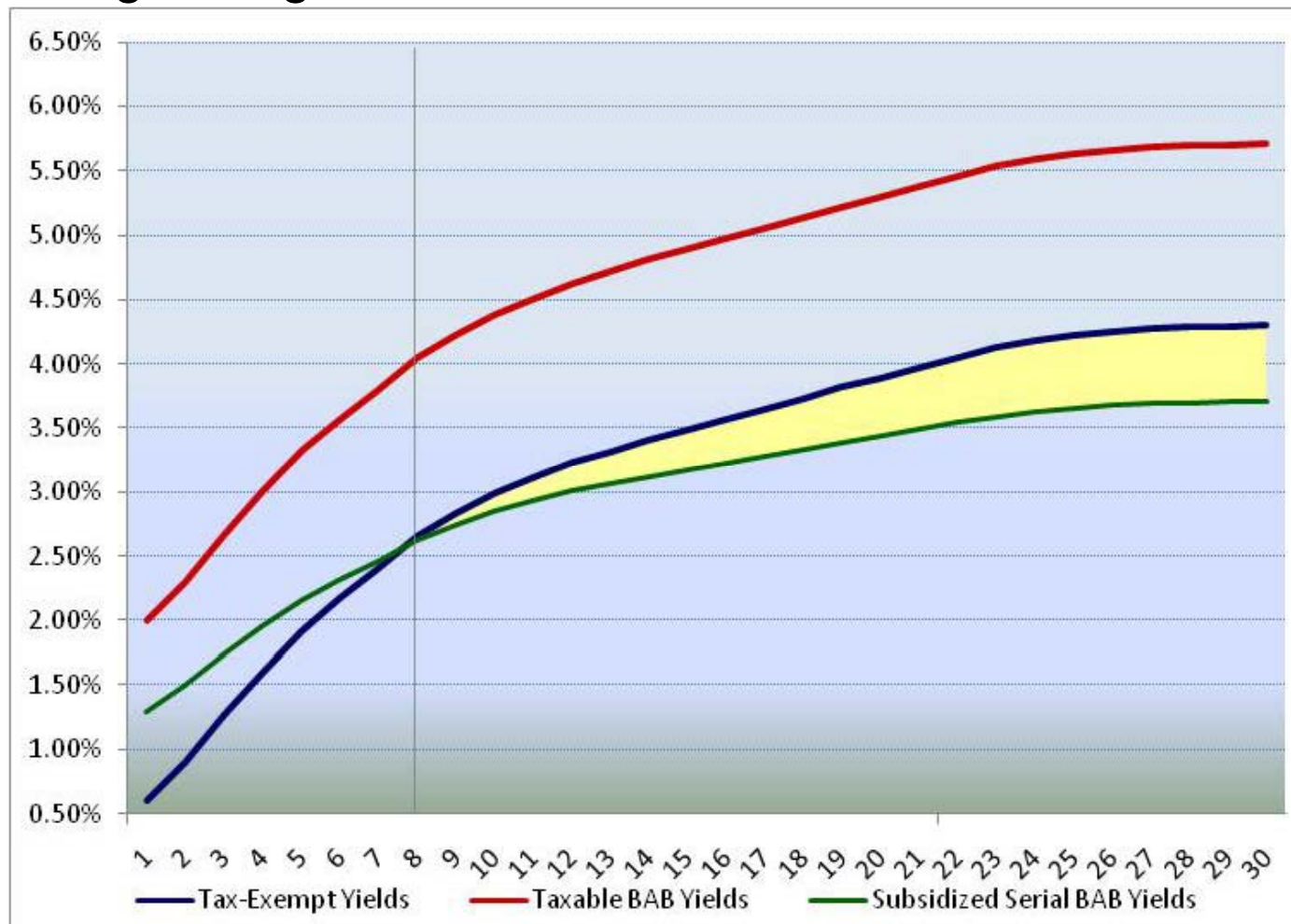
	Competitive	Negotiated	Total
No. of deals	129	106	235
Total par (000's)	\$2,943,911	\$16,103,069	\$19,046,980
Mean Par (000's)	\$22,821	\$152,268	\$175,089
Median Par (000's)	\$10,905	\$23,710	\$34,615

- 20% of the competitive transactions have been for \$40 million or more.
- Rating agencies currently prefer issuers demonstrate the ability to pay debt service without deducting the federal payments.

Potential Savings



- BABs structures have provided significant savings to issuers.
- Savings are greater in the later maturities.



Treatment of Federal Payments



- When considering the use of BABs, the treatment of the federal payments under the Master Bond Ordinance needs to be considered.
- Federal payments may typically be treated one of three ways:
 - Offset to debt service requirement – Optimal since no additional coverage required
 - As revenues – Requires additional coverage to be available
 - Not considered - Federal payments may not be able to be considered as either an offset to debt service requirements or as revenues
- The treatment of federal payments may have varying impacts related to different provisions within the Master Bond Ordinance.
 - Coverage calculations
 - Impact on future bonding capacity
 - Debt service reserve fund sizing
 - Funding of “Payments Account”

Treatment of Federal Payments - MSD



- Subject to bond counsel affirmation, the federal payments may be treated as revenues under MSD's Bond Ordinance.
 - Coverage calculations
 - Coverage will be lower than if federal payments were considered a debt service offset.
 - For MSD, minimum coverage will be substantially the same for BABs or tax-exempt bonds.
 - Impact on future bonding capacity
 - A BABs transaction will have little or no impact on the MSD's future bonding capacity.
 - Debt service reserve fund sizing
 - Definition of "Debt Service Reserve Fund Requirement" is flexible, allowing MSD to base it upon net debt service requirements.
 - Funding of "Payments Account"
 - Sufficient funds to pay debt service are required to be deposited 30 days prior to payment dates.
 - Depending on the timing of the federal payments, MSD may need to fund the full debt service from other revenues and reimburse itself after federal payments are received.

Additional Considerations



- Savings Analysis
 - Value of Missouri state tax exemption
 - Call option – 10-year par vs. make whole
 - Likelihood of serial vs. term structure
 - Impact of par/discount structure vs. premium structure
 - 2% limit on costs of issuance, including underwriter's discount
- Intangible Considerations
 - Semiannual application for the subsidy
 - Federal legislative risk
 - Loss of future flexibility, especially as related to advance refundings
 - Economic vs. legal defeasance
 - Potential increased cost of funding escrows
 - Availability of subsidy on refunded bonds



Assumptions for Analysis

- Par amount of the bonds is \$60 million.
- Interest rates and yields are based upon similar transactions in the market.
 - Tax-exempt yields based upon “AAA” MMD rates plus 0.20% with a premium couponing structure.
 - Taxable yields based upon comparable treasury rates plus 1.60% with a par couponing structure.
- 10-year par call
- New debt service wrapped around existing debt service for overall level structure.
 - Bonds mature from 2027 to 2039
 - First interest payment in 2010
- Debt service reserve fund is the lesser of:
 - 10% of par
 - Maximum annual debt service net of federal payments
 - 125% of average annual debt service net of federal payments
- Costs of Issuance and underwriter’s discount are \$10/\$1,000 combined

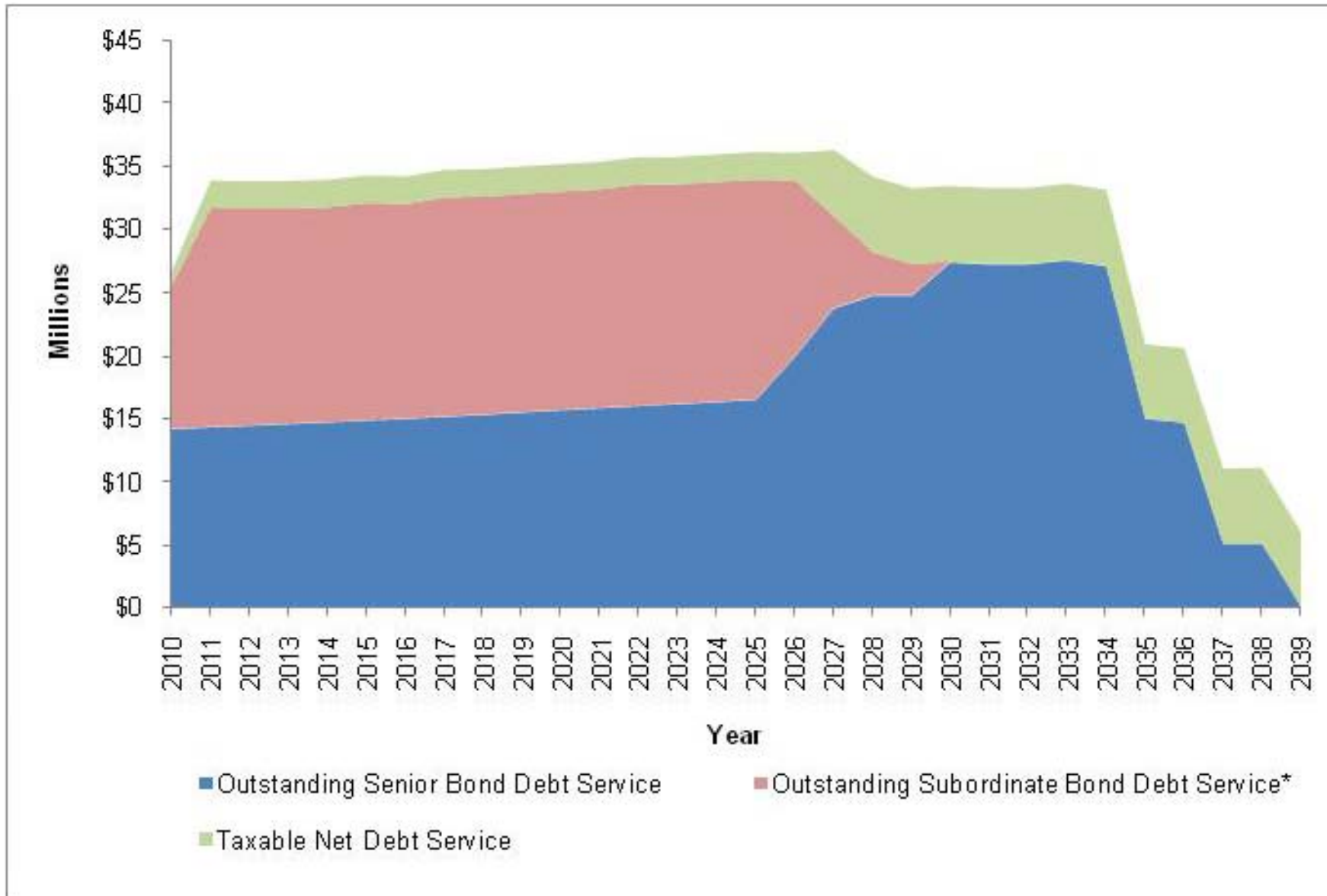
Summary of Results



- A BABs transaction appears to provide significant savings for MSD.

	<u>Tax-Exempt</u>	<u>Taxable (BABs)</u>
Par Amount	\$60,000,000	\$60,000,000
Total Proceeds	63,957,721	60,000,000
Project Fund	57,725,433	54,570,595
Debt Service Reserve Fund	5,632,288	4,829,405
Costs of Issuance	600,000	600,000
Max Annual Net Debt Service	6,513,750	5,982,311
Total Net Interest Cost	68,964,279	53,973,966
Total Net Interest Cost to Call	24,542,279	21,253,609
All-in TIC	4.6121%	3.7972%

Wastewater Debt Service Structure



*Includes 2009 SRF Bonds.



Metropolitan St. Louis Sewer District Disclosure & Market Update

August 9, 2011
Public Financial Management

Disclosure Obligations

- The Securities and Exchange Commission (“SEC”) and the Municipal Securities Rulemaking Board (“MSRB”) regulate disclosure requirements for municipal securities.
 - ❑ The bond issuer, MSD, is ultimately responsible for providing adequate disclosure of all material facts about the bonds as well as financial information and risk factors that impact its ability to make debt service payments in full and on time.
 - ❑ While there are no hard and fast rules dictating disclosure content, general guidance is that information is material if there is substantial likelihood that a reasonable investor would consider it important in making an investment decision.

NEW ISSUE
Book-Entry Only

Ratings:
Moody's Aa2
S&P AA+
Fitch AA+
See "RATINGS" herein

In the opinion of Gilmore & Bell, P.C. and White Coleman & Associates, LLC, Co-Bond Counsel, the interest on the Series 2010B Bonds is exempt from income taxation by the State of Missouri. Co-Bond counsel is not rendering any opinion with respect to the treatment of interest on the Series 2010B Bonds for federal income taxation. See "TAX MATTERS" herein.

\$85,000,000

The Metropolitan St. Louis Sewer District
Taxable Wastewater System Revenue Bonds
(Build America Bonds – Direct Pay)
Series 2010B

Dated: Date of Delivery

Due: May 1, 2039

The Taxable Wastewater System Revenue Bonds (Build America Bonds – Direct Pay), Series 2010B (the "Series 2010B Bonds") will be issued by The Metropolitan St. Louis Sewer District (the "District") to provide funds (i) to finance a portion of the costs of a program of capital improvements to the District's wastewater facilities and system, (ii) to fund a debt service reserve account and (iii) to pay the costs of issuance of the Series 2010B Bonds. The Series 2010B Bonds will be secured by a pledge of certain revenues of the District as further described herein under the section captioned "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010B BONDS."

The Series 2010B Bonds are issuable only as fully registered bonds and when issued will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. See the section herein captioned "THE SERIES 2010B BONDS – Book-Entry Only System." Principal of the Series 2010B Bonds is payable to the registered owners of the Series 2010B Bonds on May 1, 2039. Interest on the Series 2010B Bonds is payable semiannually on May 1 and November 1 of each year, beginning on May 1, 2010.

The Series 2010B Bonds and the interest thereon are limited obligations of the District payable solely from the Pledged Revenues, as defined herein, on a parity with the District's Series 2004A Bonds, the Series 2006C Bonds and the Series 2008A Bonds. The Series 2010B Bonds and the interest thereon shall not constitute a general or moral obligation of the District nor a debt, indebtedness, or obligation of, or a pledge of the faith and credit of, the District or the State of Missouri (the "State") or any political subdivision thereof, within the meaning of any constitutional, statutory or charter provision whatsoever. Neither the faith and credit nor the taxing power of the District, the State, or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series 2010B Bonds or other costs incident thereto. The District has no authority to levy any taxes to pay the Series 2010B Bonds. Neither the members of the Board of Trustees of the District nor any person executing the Series 2010B Bonds shall be liable personally on the Series 2010B Bonds by reason of the issuance thereof.

The Series 2010B Bonds are subject to optional and mandatory sinking fund redemption as described herein. See the section herein captioned "THE SERIES 2010B BONDS – Optional and Mandatory Redemption."

\$85,000,000 5.856% Term Bonds due May 1, 2039, Yield 5.856%, CUSIP No. 592481CA1

This cover page contains information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2010B Bonds are offered when, as and if issued by the District and accepted by the group of Underwriters shown below (collectively, the "Underwriters"), subject to prior placement, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., St. Louis, Missouri, and White Coleman & Associates, LLC, St. Louis, Missouri, Co-Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the District by its General Counsel, and for the Underwriters by their counsel, the Hardwick Law Firm, LLC, Kansas City, Missouri, and Armstrong Teasdale LLP, St. Louis, Missouri. It is expected that the Series 2010B Bonds will be available for delivery through the facilities of DTC in New York, New York on or about January 28, 2010.

BofA Merrill Lynch

PiperJaffray

Siebert Brandford Shank & Co., L.L.C.

The date of this Official Statement is January 14, 2010.

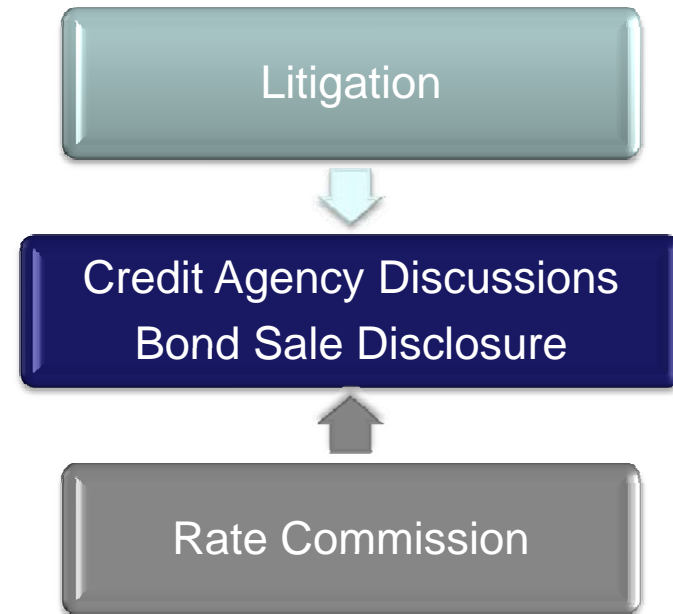


Disclosure Documentation

- The Preliminary Offering Statement, (“POS”), is the primary disclosure document and is disseminated approximately two weeks prior to pricing.
 - ❑ If material facts change during this pre-pricing period, the POS must be updated.
- Following the sale and prior to closing and the delivery of funds, the Final Official Statement, (“FOS”), is distributed to bond purchasers.
 - ❑ If material facts emerge between pricing and closing that significantly impact the creditworthiness of the issuer, investors and underwriters may have cause to withdraw from the transaction.
- The issuer remains obligated to update disclosure for 25 days following the bond closing.
 - ❑ Bonds unsold at the initial pricing may be marketed to investors during this period.
- Issuers must provide ongoing annual disclosure of updated financial statements and upon occurrence of material events, as defined by an agreement published with the POS and FOS.

Key Events Impacting MSD Disclosure

- Resolution of major litigation with EPA and Missouri DNR.
 - ❑ Consent Decree will provide outline of MSD's financial obligations and timeframe for capital projects.
 - ❑ Process will inform stakeholders regarding position of Missouri DNR regarding Consent Decree.
- Conclusion of Rate Commission process.
 - ❑ Rate Commission report will guide near term MSD rates and revenue.
 - ❑ New five-year rate plan as adopted by MSD trustees will influence debt capacity.



Proposed Event Timeline

➤ The following table summarizes the timing of key actions to be taken by the EPA and Rate Commission .

Date	Environmental Protection Agency	Rate Commission
August 4	EPA releases Consent Decree	
	30-day comment period begins	
September 5 (estimated)	Comment period ends	
September–January	EPA reviews comments	
October 18		Rate Commission vote on recommended rates
October 21		Rate report released to Trustees
October 27		First possible Trustee action on rate recommendation
November 10		Second possible reading of rate ordinance
January 2012	Anticipated filing of Consent Decree with Court	

Proposed Timing of Series 2011 Issuance

➤ October

- 21 - Rate Commission recommendation
- 27 - First possible Trustee action on rate recommendation

➤ November

- 8 - Enterprise audit statement review
- 8-9 - Rating agency meetings
- 10 - Possible Trustee action on rate recommendation
- 18 - Release of audited financial statements
- 22 - Credit ratings released
- 23 - POS circulated

➤ December

- 8 - Pricing via competitive sale
- 12-13 - FOS printed and circulated
- 22 - Bonds close and proceeds are received

OCTOBER						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

NOVEMBER						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

DECEMBER						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

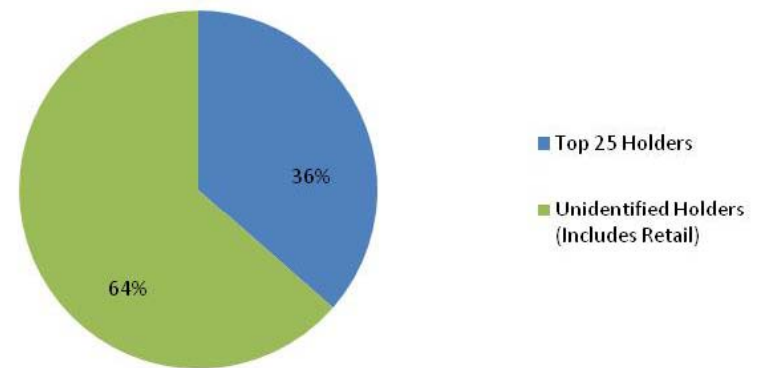


MSD Bondholders

- The following table details the largest institutional holders of MSD’s Senior Wastewater System Revenue Bonds, which make up approximately 36% of Senior bondholders.
- The remaining 64% of bondholders are unidentified; this group includes bonds held by retail purchasers.

Metropolitan St. Louis Sewer District Senior Wastewater System Revenue Top Bondholders	
<u>Firm</u>	<u>Par Amount (\$000)</u>
Franklin Templeton Investments	49,470
Nationwide Insurance Co (Office of Investments)	10,000
General Re-New England Asset Management Inc	8,336
Advantus Capital Management Inc	7,610
American United Life Insurance Co	7,155
Delphi Capital Management Inc	4,565
Metropolitan Life Insurance Co (Investments) (MetLife)	4,000
Fidelity Management & Research Company (Fixed-Income Division)	3,000
Asset Allocation & Management Co LLC (AAM)	3,000
AllianceBernstein LP	3,000
Capital Guardian Trust Co	2,815
Northern Trust Global Advisors Inc	2,815
Deutsche Asset Management (DeAM) (NYC) (345 Park Avenue)	2,500
Unitrin Inc	2,000
Harris Investment Management Incorporated	2,000
Eaton Vance Management Inc	2,000
GE Asset Management Incorporated	1,973
Lord, Abbett & Co LLC	1,760
Guardian Investor Services LLC	1,500
Wellington Management Co LLP	1,363
State Farm Insurance Companies	1,330
Davis Selected Advisers LP	750
Nuveen Asset Management LLC (Minneapolis)	500
Invesco PowerShares Capital Management LLC	500
Oppenheimer Investment Management LLC	250

MSD Senior Wastewater Revenue Bondholders



Historical Market Trend

- The current 20-year structure of MSD's 2011 bonds has an average life of just under 12 years.
- As of July 29, 2011, the 12-year MMD AAA GO index was 3.05%, approximately 40 basis points lower than the average rate since January 2008.

