SALES TAX ASSET RECEIVABLE CORPORATION

A Component Unit of the City of New York

Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

SALES TAX ASSET RECEIVABLE CORPORATION
A Component Unit of the City of New York

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Members of the Audit Committee and the Board of Directors
Sales Tax Asset Receivable Corporation:

We have audited the accompanying financial statements of the governmental activities and the debt service fund of Sales Tax Asset Receivable Corporation (the Corporation), a component unit of the City of New York, as of and for the year ended June 30, 2010 and 2009, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. 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 Corporation'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 provides reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and debt service fund of the Corporation, as of June 30, 2010 and 2009, and the respective changes in financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2010 on our consideration of the Corporation'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 7 is 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.

KPMG LLP

September 22, 2010

The following is a narrative overview and analysis of the financial activities of Sales Tax Asset Receivable Corporation (STAR or the Corporation) as of June 30, 2010 and 2009 and for the years then ended. It should be read in conjunction with STAR's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The financial statements consist of three parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; and (3) the governmental fund financial statements.

The government-wide financial statements, which include the statements of net assets (deficit) and the statements of activities, are presented to display information about the Corporation as a whole, in accordance with Governmental Accounting Standards Board (GASB) standards. This is to provide the reader with a broad overview of STAR's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

STAR's debt service fund (governmental fund) financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which are recognized when due.

The reconciliations of the debt service fund statements of revenues, expenditures and changes in fund balances to the statements of activities and reconciliations of the debt service fund balance sheets to the statements of net assets (deficit) are presented to assist the reader in understanding the differences between government-wide and fund financial statements.

Financial Highlights and Overall Analysis – Government-Wide Financial Statements

On November 4, 2004, STAR issued $2.55 billion of bonds to provide for the payment of the principal and interest and redemption premium, if any, on all outstanding bonds of the Municipal Assistance Corporation For The City of New York (MAC) and all outstanding bonds of The City of New York (the City) held by MAC, and to reimburse the City for amounts retained by MAC since July 1, 2003 for debt service. Principal and interest on the STAR bonds are paid from the $170 million in annual payments required to be made by the New York State Local Government Assistance Corporation (LGAC), a public benefit corporation of the State of New York (State) pursuant to Section 3238-a of the New York State Public Authorities Law, which the City has irrevocably assigned to STAR. The payment of the outstanding MAC bonds results in the receipt by the City of tax revenues that would otherwise be paid to MAC for the payment of debt service on MAC's bonds.

On June 30, 2010, June 30, 2009 and June 29, 2008, STAR used: $52 million, $37 million and $15 million of available resources on-hand, respectively, to defease bonds, as permitted by the Trust Indenture dated October 1, 2004 (the Indenture). The fiscal year 2010 and 2009 loss on defeasance resulted from market interest rates at the time of defeasance being lower than interest rates at time of bond issuance. When the defeasance investments were purchased to fund the related debt service it caused an accounting loss to occur.

(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis – Government-Wide Financial Statements – (continued)

The following summarizes the activities of STAR for the fiscal years ended June 30, 2010, 2009 and 2008:

	2010	2009	2008	2010 v 2009 Change	2009 v 2008 Change
Revenues:					
LGAC revenue	$ 170,000	$ 170,000	$ 170,000	$ —	$ —
Other income	984	5,472	11,127	(4,488)	(5,655)
Total revenues	170,984	175,472	181,127	(4,488)	(5,655)
Expenses:					
Bond interest	105,435	108,145	110,175	(2,710)	(2,030)
Other	5,513	3,946	1,933	1,567	2,013
Total expenses	110,948	112,091	112,108	(1,143)	(17)
Change in net assets	60,036	63,381	69,019	(3,345)	(5,638)
Net (deficit) – beginning of year	(2,037,094)	(2,100,475)	(2,169,494)	63,381	69,019
Net (deficit) – end of year	$ (1,977,058)	$ (2,037,094)	$ (2,100,475)	$ 60,036	$ 63,381

STAR's revenues for fiscal years 2010, 2009, and 2008 are composed of the annual LGAC payments and other income, which is primarily investment income. Expenses for fiscal year 2010 are lower than fiscal year 2009; and fiscal year 2009 expenses are lower than fiscal year 2008, as the declining bond principal outstanding resulted in reduced bond interest costs each year.

(Continued)

(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis – Government-Wide Financial Statements – (continued)

The following summarizes STAR's assets, liabilities, and net assets as of June 30, 2010, 2009 and 2008:

	2010	2009	2008	2010 v 2009 Change	2009 v 2008 Change
Assets:					
Noncapital	$ 304,846	$ 325,622	$ 354,370	$ (20,776)	$ (28,748)
Total assets	304,846	325,622	354,370	(20,776)	(28,748)
Liabilities:					
Current liabilities	34,224	49,674	75,440	(15,450)	(25,766)
Long-term liabilities	2,247,680	2,313,042	2,379,405	(65,362)	(66,363)
Total liabilities	2,281,904	2,362,716	2,454,845	(80,812)	(92,129)
Net assets:					
Unrestricted	(1,977,058)	(2,037,094)	(2,100,475)	60,036	63,381
Total net (deficit)	$ (1,977,058)	$ (2,037,094)	$ (2,100,475)	$ 60,036	$ 63,381

At June 30, 2010, 2009, and 2008, STAR's assets consisted mainly of cash equivalents and investments restricted for debt service payments and required debt service reserves. The declining liabilities are almost entirely composed of the bonds payable and unamortized original issue premium and accrued interest payable thereon. The declining net deficits are primarily the result of the November 4, 2004 bond issue which is being and will continue to be repaid from future LGAC revenues.

(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis – Governmental Fund Financial Statements

The following summarizes the changes in the fund balances of STAR's sole governmental fund, its debt service fund, for the years ended June 30, 2010, 2009 and 2008:

	2010	2009	2008	2010 v 2009 Change	2009 v 2008 Change
Revenues:					
LGAC revenue	$ 170,000	$ 170,000	$ 170,000	$ —	$ —
Other income	984	5,472	10,629	(4,488)	(5,157)
Total revenues	170,984	175,472	180,629	(4,488)	(5,157)
Expenditures:					
Bond interest	110,899	113,784	115,536	(2,885)	(1,752)
Principal amount of bonds retired	26,450	51,520	15,485	(25,070)	36,035
Advance refunding escrow	52,451	36,900	14,544	15,551	22,356
General and administrative	347	302	310	45	(8)
Total expenditures	190,147	202,506	145,875	(12,359)	56,631
Net change in fund balances	(19,163)	(27,034)	34,754	7,871	(61,788)
Fund balances – beginning of year	307,940	334,974	300,220	(27,034)	34,754
Fund balances – end of year	$ 288,777	$ 307,940	$ 334,974	$ (19,163)	$ (27,034)

The revenue of STAR's debt service fund for fiscal years 2010, 2009 and 2008 is primarily composed of the annual LGAC payment and investment income. Fiscal year 2010 and fiscal year 2008 expenditures were lower than those in fiscal year 2009, because defeasances lowered the amount of principal payments due during those fiscal years. In addition, during fiscal year 2010 and fiscal year 2009, STAR defeased a larger amount of outstanding bond principal than in fiscal year 2008; the sizing of the defeasance transactions was based on available resources.

(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis – Governmental Fund Financial Statements – (continued)

The following summarizes STAR's debt service fund assets, liabilities, and fund balances as of June 30, 2010, 2009 and 2008:

	2010	2009	2008	2010 v 2009 Change	2009 v 2008 Change
Assets:					
Cash and investments	$ 288,665	$ 307,801	$ 334,835	$ (19,136)	$ (27,034)
Other assets	138	153	161	(15)	(8)
Total assets	$ 288,803	$ 307,954	$ 334,996	$ (19,151)	$ (27,042)
Liabilities:					
Accrued expenses	$ 26	$ 14	$ 22	$ 12	$ (8)
Total liabilities	26	14	22	12	(8)
Fund balances:					
Reserved for debt service	288,242	307,369	334,513	(19,127)	(27,144)
Reserved for debt retirement, debt service, or arbitrage rebate	—	—	8	—	(8)
Unreserved	535	571	453	(36)	118
Total fund balances	288,777	307,940	334,974	(19,163)	(27,034)
Total liabilities and fund balances	$ 288,803	$ 307,954	$ 334,996	$ (19,151)	$ (27,042)

At June 30, 2010, 2009 and 2008, STAR's debt service fund assets consisted mainly of cash equivalents and investments restricted for debt service payments and required debt service reserves. The fund balances are thus predominantly reserved for debt service. The restricted resources held for debt service at each year-end reflects the amount of bond principal and interest due during the subsequent fiscal year, the required reserve set by the Indenture, and the impact of defeasances.

This financial report is designed to provide a general overview of STAR's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Raymond Orlando, Manager of Investor Relations, Sales Tax Asset Receivable Corporation, 75 Park Place, New York, NY 10007.

SALES TAX ASSET RECEIVABLE CORPORATION
A Component Unit of the City of New York

Statements of Net Assets (Deficit)

June 30, 2010 and 2009

(Amounts in thousands)

	2010	2009
Assets:		
Unrestricted cash and cash equivalents	$ 423	$ 82
Restricted cash and cash equivalents	226	2
Unrestricted investments	—	350
Restricted investments	288,016	307,367
Prepaid expenses	138	153
Unamortized bond issuance costs	16,043	17,668
Total assets	304,846	325,622
Liabilities:		
Accrued expenses	26	14
Accrued interest payable	22,558	23,210
Bonds payable:		
Portion due within one year	11,640	26,450
Portion due after one year	2,166,260	2,226,370
Unamortized bond premium	81,420	86,672
Total liabilities	2,281,904	2,362,716
Net assets (deficit):		
Unrestricted	(1,977,058)	(2,037,094)
Total net (deficit)	$ (1,977,058)	$ (2,037,094)

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
A Component Unit of the City of New York

Statements of Activities

June 30, 2010 and 2009

(Amounts in thousands)

	2010	2009
Revenues:		
New York State Local Government Assistance Corporation revenue	$ 170,000	$ 170,000
Investment income	946	5,472
Other revenue	38	—
Total revenues	170,984	175,472
Expenses:		
Bond interest	105,435	108,145
Loss on defeasance	3,809	2,163
Amortization of bond issuance costs	1,357	1,481
General and administrative	347	302
Total expenses	110,948	112,091
Change in net assets (deficit)	60,036	63,381
Net (deficit) – beginning of year	(2,037,094)	(2,100,475)
Net (deficit) – end of year	$ (1,977,058)	$ (2,037,094)

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
A Component Unit of the City of New York

Debt Service Fund Balance Sheets

June 30, 2010 and 2009

(Amounts in thousands)

	2010	2009
Assets:		
Unrestricted cash and cash equivalents	$ 423	$ 82
Restricted cash and cash equivalents	226	2
Unrestricted investments	—	350
Restricted investments	288,016	307,367
Prepaid expenses	138	153
Total assets	$ 288,803	$ 307,954
Liabilities:		
Accrued expenses	$ 26	$ 14
Total liabilities	26	14
Fund balances:		
Reserved for debt service	288,242	307,369
Unreserved	535	571
Total fund balances	288,777	307,940
Total liabilities and fund balances	$ 288,803	$ 307,954

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
A Component Unit of the City of New York

Reconciliation of Debt Service Fund Balance Sheets to
Statements of Net Assets (Deficit)

June 30, 2010 and 2009

(Amounts in thousands)

		2010		2009
Fund balance – debt service fund	$	288,777	$	307,940
Amounts reported in the statements of net assets (deficit) are different because:				
Costs of bond issuance are reported as expenditures in the debt service fund financial statements upon issuance. However, in the statements of net assets, the costs of bond issuance are reported as capitalized assets and amortized over the life of the bonds.		16,043		17,668
Bond premiums are reported as other financing sources in the debt service fund financial statements. However, in the statements of net assets, bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.		(81,420)		(86,672)
Some liabilities are not due and payable from current available financial resources at year end and are therefore not reported in the debt service fund financial statements, but are reported in the statement of net assets (deficit). Those liabilities consist of:				
Bonds payable		(2,177,900)		(2,252,820)
Accrued interest payable		(22,558)		(23,210)
Net assets (deficit) – governmental activities	$	(1,977,058)	$	(2,037,094)

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
A Component Unit of the City of New York

Debt Service Fund Statements of Revenues, Expenditures, and
Changes in Fund Balances

June 30, 2010 and 2009

(Amounts in thousands)

	2010	2009
Revenues:		
New York State Local Government Assistance Corporation revenue	$ 170,000	$ 170,000
Investment income	946	5,472
Other revenue	38	—
Total revenue	170,984	175,472
Expenditures:		
Bond interest	110,899	113,784
Principal amount of bonds retired	26,450	51,520
Advance refunding escrow	52,451	36,900
General and administrative expenses	347	302
Total expenditures	190,147	202,506
Net change in fund balances	(19,163)	(27,034)
Fund balances – beginning of year	307,940	334,974
Fund balances – end of year	$ 288,777	$ 307,940

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
A Component Unit of the City of New York

Reconciliations of Debt Service Fund Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statements of Activities

June 30, 2010 and 2009

(Amounts in thousands)

	2010	2009
Net change in fund balances – debt service fund	$ (19,163)	$ (27,034)
Amount reported in the statements of activities are different because:		
Repayment of bond principal is an expenditure in the debt service fund financial statements, but the repayment reduces bond payable on the statements of net assets.	26,450	51,520
Governmental funds financial statements report costs of bond issuance as expenditures. However, on the statements of activities, the costs of debt issuance are amortized over the life of the bonds.	(1,357)	(1,481)
Governmental fund financial statements report bond premiums as other financing sources upon issuance. However, on the statements of activities, premiums are recognized as an offset of interest expense over the life of the bonds.	5,252	5,253
Payments to defease bonds prior to maturity are reported as expenditures in the debt service fund financial statements, however, in the statements of net assets, the difference between the carrying value of the defeased bonds and the amount paid to defease the bonds are reported as period revenue or expenses.	48,643	34,737
Interest expense is reported in the statements of activities on the accrual basis. However, interest is reported as an expenditure in debt service fund financial statements when the payment is due.	211	386
Change in net assets – governmental activities	$ 60,036	$ 63,381

See accompanying notes to financial statements.

(1) Organization

Sales Tax Asset Receivable Corporation (STAR or the Corporation) is a special purpose, bankruptcy remote, local development corporation organized under the Not-For-Profit Corporation Law of the State of New York (the State). STAR is an instrumentality of, but separate and apart from, The City of New York (the City). STAR is governed by a Board of Directors elected by its six Members, all of whom are officials of the City. STAR's Certificate of Incorporation requires the vote of an independent director as a condition to taking certain actions; the independent director would be appointed by the Mayor of the City prior to any such actions. Although legally separate from the City, STAR is a financing instrumentality of the City and, accordingly, is included in the City's financial statements as a blended component unit in accordance with Governmental Accounting Standards Board (GASB) standards.

Section 3238-a of the New York State Public Authorities Law (the Law), which terminates on July 1, 2034, requires that $170 million be paid annually by the New York State Local Government Assistance Corporation (LGAC Revenue) to the City or its assignee. Pursuant to the Assignment and Agreement (the Assignment) between the City and STAR, the City irrevocably assigned to STAR all rights and interest in all amounts payable to the City under the Law.

In consideration for this assignment, STAR used the proceeds of its November 4, 2004 bond issue to provide for the payment of the principal and interest and redemption premium, if any, on all outstanding bonds of the Municipal Assistance Corporation For The City of New York (MAC) and to reimburse the City for amounts retained by MAC since July 1, 2003 for debt service. The payment of the outstanding MAC bonds results in the receipt by the City of tax revenues that would otherwise be paid to MAC for the payment of debt service on MAC's bonds.

STAR does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which STAR pays a management and overhead based on its allocated share of personnel and overhead costs.

(2) Summary of Significant Accounting Policies

The government-wide financial statements of STAR, which include the statements of net assets (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

STAR's debt service fund (governmental fund) financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenue is generally considered available if expected to be received within one year after period end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which is recognized when due.

The governmental fund financial statements consist solely of a debt service fund, which accounts for the accumulation of resources for payment of principal and interest on debt and supports the operations of STAR.

Investments are reported at fair value as of the reporting date.

Bond premium and issuance costs are capitalized and amortized over the life of the related debt using the interest method in the government-wide financial statements. The amounts of unamortized bond premium at June 30, 2010 and 2009 are $81,420 and $86,672, respectively, which are net of accumulated amortization of $29,767 and $24,515, respectively. The amounts of unamortized issuance costs at June 30, 2010 and 2009 are $16,043 and $17,668, respectively, which are net of accumulated amortization and amounts written-off related to defeased debt of $10,685 and $9,060, respectively.

The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the period of the related bond issuance. The face amount of debt issued is reported as an other financing source, as is the premium on debt issued. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Principal payments and payments into defeasance escrow accounts are reported as expenditures in the period made.

Interest expense is recognized as it is incurred on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when due in the governmental fund financial statements.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires STAR's management to make estimates and assumptions in determining the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Resources set aside for debt service or redemption in accordance with STAR's Trust Indenture, dated October 1, 2004 (the Indenture), are classified as restricted on the statements of net assets. When both restricted and unrestricted resources are available for use, it is STAR's policy to use restricted resources first, then unrestricted resources as they are needed.

As a Component Unit of the City, STAR implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which will or may impact STAR in the future years.

- In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement requires all intangible assets not specifically excluded by its scope provisions to be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The requirements for GASB 51 are effective for financial statements for periods beginning after June 15, 2009, and thus was implemented by the City for its fiscal year ended June 30, 2010. There was no impact on STAR's financial statements as a result of the implementation of GASB 51.

(Amounts in thousands, except as noted)

- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Statement establishes guidance on the recognition, measurement and disclosures related to derivative instruments entered into by governmental entities. GASB 53 requires that most derivative instruments be reported at fair value, and requires governmental entities to determine if derivatives are effective hedges of risks associated with related hedgeable items. Generally, for derivatives that are effective hedges, changes in fair values are deferred whereas for others the changes in fair value are recognized in the current period. The requirements for GASB 53 are effective for financial statements for periods beginning after June 15, 2009, and thus was implemented by the City for its fiscal year ended June 30, 2010. There was no impact on STAR's financial statements as a result of the implementation of GASB 53.

- In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement affects the display of fund balances in the governmental fund financial statements and requires that governments disclose their fund balance classifications, policies and procedures in the notes to the financial statements. Fund balances will be classified as nonspendable, restricted, committed, assigned, and/or unassigned, based on the definitions provided in the Statement. Additionally, GASB 54 refines the definitions of each of the governmental fund types, such as debt service and capital projects funds. The requirements for GASB 54 are effective for periods beginning after June 15, 2010. GASB 54 will not have any financial impact on STAR but is expected to change STAR's governmental fund financial statement presentation.

(3) Bonds Payable

In connection with the assignment of the City's right to and interest in the LGAC revenue to STAR, STAR has issued \$2.55 billion of bonds of which \$2.18 billion is outstanding as of June 30, 2010. STAR has pledged the LGAC revenue to secure the bonds.

Outstanding bonds payable bear interest at fixed rates ranging from 3.50% to 5.25%. A summary of changes in outstanding bonds during the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Period ended June 30, 2010: Bonds issued	Period ended June 30, 2010: Bonds retired and defeased	Balance June 30, 2010
2005 Series A	$ 1,869,010	$ —	$ —	$ 1,869,010
2005 Series B	383,810	—	74,920	308,890
Totals	$ 2,252,820	$ —	$ 74,920	$ 2,177,900

(Amounts in thousands, except as noted)

A summary of changes in outstanding bonds during the period ended June 30, 2009 is as follows:

	Balance June 30, 2008	Period ended June 30, 2009 Bonds issued	Period ended June 30, 2009 Bonds retired and defeased	Balance June 30, 2009
2005 Series A	$ 1,869,010	$ —	$ —	$ 1,869,010
2005 Series B	469,590	—	85,780	383,810
Totals	$ 2,338,600	$ —	$ 85,780	$ 2,252,820

Debt service requirements, including principal and interest, at June 30, 2010, are as follows:

	Principal	Interest	Total
Year ended June 30:			
2011	$ 11,640	$ 108,042	$ 119,682
2012	10,910	107,574	118,484
2013	28,345	106,715	135,060
2014	63,690	104,637	168,327
2015	66,770	101,629	168,399
2016 – 2020	386,665	455,069	841,734
2021 – 2025	497,620	343,844	841,464
2026 – 2030	638,210	201,890	840,100
2031 – 2034	474,050	36,825	510,875
Totals	$ 2,177,900	$ 1,566,225	$ 3,744,125

As of June 30, 2010 and 2009, STAR had defeased, with defeasance collateral, bonds with principal amounts totaling $185,150 and $136,680, respectively, of which $123,830 remains to be paid as of June 30, 2010 from defeasance collateral held in escrow accounts on deposit with STAR's escrow trustee.

(4) Cash and Cash Equivalents

As of June 30, 2010, STAR did not have any cash deposits on hand. Cash equivalents were comprised of a Treasury Money Market Fund which was partially restricted for debt service (see note 5). STAR's cash equivalents consisted of the following at June 30, 2010 and 2009:

	2010	2009
Cash	$ —	$ —
Cash equivalents (see note 5)	649	84
Total cash and cash equivalents	$ 649	$ 84

(Amounts in thousands, except as noted)

STAR's investments classified as cash equivalents have an original maturity date of three months or less from the date of purchase. STAR values those investments at cost plus accrued interest, which approximates market.

(5) Investments

STAR's investments consisted of the following at June 30, 2010 and 2009:

		2010		2009
Unrestricted:				
Treasury money market funds	$	423	$	82
Federal National Mortgage Association discount notes (maturing within one year)		—		350
Total unrestricted		423		432
Restricted for debt service:				
Treasury money market funds		226		2
Federal National Mortgage Association discount notes (maturing within one year)		119,596		62,486
Federal Home Loan Bank discount notes (maturing within one year)		11,955		150,661
Federal Home Loan Mortgage Corporation discount notes (maturing within one year)		—		94,220
Federal National Mortgage Association Medium Term note (maturing June 26, 2013)		156,465		—
Total restricted		288,242		307,369
Total investments including cash equivalents		288,665		307,801
Less amounts reported as cash equivalents		(649)		(84)
Total investments	$	288,016	$	307,717

Each account of STAR is held pursuant to the Indenture and may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture. All investments are registered and are held by STAR's agent in STAR's name.

Credit Risk – STAR limits all investments to obligations of, or guaranteed by, the United States of America, or obligations that are rated "AAA" by Standard & Poor's and "Aaa" by Moody's.

Interest Rate Risk – STAR's short term maturities are subject to minimal risk of fair value decline due to changes in market interest rates. Investments with longer terms are expected to be held until maturity thereby limiting the exposure from rising interest rates.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of STAR's investment in a single issuer (5% or more). STAR's investment policy places no limit on the amount STAR may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2010 more than 5% of STAR's investments are in the Federal National Mortgage Association. This investment is 95.6% of STAR's total investments.