ENTERPRISE FINANCIAL SERVICES CORP
Form 11-K
June 29, 2009

As filed with the Securities and Exchange Commission on June 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

or

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1933**

For the transition period from ________ to ________

Commission File No. 001-15373

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

EFSC INCENTIVE SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Enterprise Financial Services Corp

150 N. Meramec
St. Louis, Missouri 63105

EFSC INCENTIVE SAVINGS PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

(With Report of Independent Registered Public Accounting Firm)

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee and Plan Administrator
EFSC Incentive Savings Plan

We have audited the accompanying statement of net assets available for benefits of the EFSC Incentive Savings Plan (the Plan) as of December 31, 2008 and 2007, and the related statement of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plans management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 Plans 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the Plan adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, as of January 1, 2008.

/s/ RubinBrown LLP
St. Louis, Missouri
June 29, 2009

EFSC INCENTIVE SAVINGS PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 2008	December 31, 2007
Assets:		
Cash	$ 69,145	$ 65,649
Investments, at fair value		
Mutual funds	8,216,395	12,033,480
Common/collective trust funds	1,151,060	712,296
Common stock fund	991,856	—
Common stock	—	1,863,252
Participant loans	212,636	257,740
Total Investments	10,571,947	14,866,768
Receivables		
Employer matching contribution receivables	425,148	441,878
Net Assets Available For Benefits	$ 11,066,240	$ 15,374,295

See the accompanying notes to financial statements.

EFSC INCENTIVE SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS

	Years ended December 31, 2008	Years ended December 31, 2007
Additions:		
Contributions		
Salary deferral contributions	$ 1,680,714	$ 1,739,486
Employer matching contributions, net of forfeitures	425,148	441,878
Participant rollover contributions	58,556	221,235
Total Contributions	2,164,418	2,402,599
Total Additions	2,164,418	2,402,599
Deductions:		
Benefits paid to participants	1,451,310	2,072,903
Other expenses	1,326	1,683
Total Deductions	1,452,636	2,074,586
Investment (Loss) Income:		
Net change in fair value of investments	(5,491,615)	(689,865)
Dividend income	418,389	830,602
Interest income on common/collective trust funds	33,486	39,660
Interest income on participant loans	19,903	22,390
Net Investment (Loss) Income	(5,019,837)	202,787
Net (Decrease) Increase	(4,308,055)	530,800

Net Assets Available For Benefits - Beginning Of Year	15,374,295	14,843,495
Net Assets Available For Benefits - End Of Year	$ 11,066,240	$ 15,374,295

See the accompanying notes to financial statements.

EFSC INCENTIVE SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 And 2007

NOTE 1 DESCRIPTION OF THE PLAN

The following description of the EFSC Incentive Savings Plan (the Plan) provides only general information. Participants should refer to the Plan Agreement for a complete description of the Plans provisions.

General

The Plan is a defined contribution plan, with a 401(k) provision, covering all employees of Enterprise Financial Services Corp and its wholly owned subsidiaries (excluding Millennium Brokerage Group, LLC) (Enterprise) who are not seasonal employees and have attained the age of 21. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). On January 1, 2008, the Plan name was changed from Enterprise Bank Incentive Savings Plan to EFSC Incentive Savings Plan.

The Plan Administrator and Plan Sponsor is Enterprise Financial Services Corp. The Plan Trustee is Enterprise Bank Incentive Savings Plan Trustee Committee which is comprised of five employees of Enterprise. The Plan Trustee meets twice per Plan year.

Contributions

Participants may contribute from 1% to 75% of eligible compensation to the Plan on a pre-tax basis. Enterprise may also make an annual employer matching contribution which is discretionary and determined by the Board of Directors of Enterprise. The employer matching contribution, on behalf of each participant, will be a percentage of deferrals up to the first 5% of the participants compensation. Participants may also contribute qualified rollover contributions representing distributions from other qualified defined benefit or defined contribution plans. All contributions are subject to applicable limits of the Internal Revenue Code.

Employer matching contributions were $460,023 and $486,145 for 2008 and 2007, respectively.

Vesting

Participants are immediately vested in their contributions, including rollover contributions plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of service, as defined in the Plan Agreement. Participants vest according to a five-year graded schedule and are 20% vested after one year of service and 100% vested after five years of service, upon reaching early or normal retirement, upon total and permanent disability or death.

Participant Accounts

Each participants account is credited with the participants contributions, the employers matching contributions and an allocation of the Plans earnings. The allocation of earnings is determined by the earnings of the participants investment selection based on each participants balance, as defined in the Plan Agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participants vested account.

Payment of Benefits

While actively employed, participants may receive hardship withdrawals of their vested account balance, subject to applicable regulations and approvals covering hardship withdrawals. Also, participants age 65 and over may receive regular in-service distributions of their vested accounts while actively employed.

On termination of service, a participant may elect to defer their distribution or, subject to appropriate spousal consent, receive either a lump-sum distribution or a Qualified Joint and Survivor Annuity equal to the participants vested interest in their account. Account balances less than $5,000 are generally distributed to an Individual Retirement Arrangement (IRA) if the participant does not make a distribution election.

Forfeitures

Participants forfeit the nonvested portion of their accounts in the Plan upon termination of employment with Enterprise. As described in the Plan, forfeitures are used to reduce future employer matching contributions or administrative expenses of the Plan. Forfeitures used to offset employer matching contributions amounted to $34,875 and $44,267 for the years ended December 31, 2008 and 2007, respectively.

Participant Loans

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum of $50,000 or 50% of their vested account balance, whichever is less. Loan terms range from one month to five years (longer for the purchase of a primary residence), at a mutually agreed term between the participant and the Plan Administrator. The loans are secured by the vested balance in the participants account and bear interest at a rate commensurate with local prevailing rates as determined by the Plan Administrator. Principal and interest are paid through payroll deductions.

Administrative Expenses

Substantially all administrative expenses of the Plan are paid by Enterprise.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting.

Investment Valuation and Income Recognition

The Plans investments are stated at fair value. Mutual funds are valued at quoted market prices. Common/collective trust funds are reported at fair value. Common stock is valued at the last reported sales price on the last day of the Plan year. Participant loans are valued at cost, which approximates fair market value.

The EFSC Common Stock Fund (the Fund) was established on January 1, 2008 and is tracked on a unitized basis. The Fund consists primarily of Enterprise Financial Services Corp (EFSC) common stock, and also includes cash investments in the Charles Schwab Institutional Money Market Fund sufficient to meet the Funds daily liquidity needs. EFSC common stock is traded on a national securities exchange (NASDAQ: EFSC). The value of a unit reflects the combined market value of EFSC common stock and the cash investments held by the Fund. At December 31, 2008, 152,786 units were outstanding with a value of $6.49 per unit.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

Fair Value Measurements

On January 1, 2008, the Plan adopted Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements*, and subsequently adopted certain related FASB staff positions. Refer to Note 3 for fair value measurements of the Plans investments.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets during the reporting period. Actual results could differ from those estimates.

As described in Financial Accounting Standards Board Staff Position, *FSP AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit–Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined contribution plan are required to be reported at fair value.

However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The FSP requires that the statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The adjustment to contract value is immaterial for 2008 and 2007. The statement of changes in net assets available for benefits is prepared on a contract-value basis.

Payment of Benefits

Benefits are recorded when paid.

Reclassification

Certain amounts in the 2007 financial statements were classified, where appropriate, to conform to the 2008 financial statement presentation.

NOTE 3 – INVESTMENTS

The Plan's investments are held in a qualified tax-exempt trust, managed by Charles Schwab Trust Company (the Custodian). Participants can direct contributions to any of 20 investment options offered by the Plan. On January 1, 2008, the Enterprise Financial Services Corp common stock held in the Plan was converted to a unitized common stock fund, the EFSC Common Stock Fund.

Investments that represent 5% or more of the Plan's net assets available for benefits at the beginning of each respective Plan year are summarized as follows:

	December 31,			
	2008		2007	
utual funds:				
BlackRock Small Cap Growth Equity Portfolio - Institutional Share Class (added April 4, 2008)	$ 458,529		$ —	
Cohen & Steers Realty Shares, Inc. (added April 4, 2008)	22,933		—	
CRM Mid-Cap Value Fund - Institutional Shares	619,360		1,013,406	**
Davis New York Venture Shares - Class A Shares	698,808		1,150,252	**
Dodge and Cox Stock Fund	596,581		786,547	**
American Funds EuroPacific Growth Fund, Class A Shares	1,015,222	**	1,500,662	**
American Funds The Growth Fund of America, R4	1,128,326	**	1,722,866	**
PIMCO Total Return Fund - Administrative Class	1,324,283	**	1,356,432	**
Third Avenue Small-Cap Value Fund	570,950		793,481	**
Turner Mid-Cap Growth Fund, Investor Class Shares	469,672		826,850	**
Trendstar Small-Cap Fund (removed April 4, 2008)	—		810,076	**
Tweedy Browne Global Value Fund	533,837		761,745	**
Vanguard 500 Index Fund, Signal Shares	777,894	**	1,311,163	**
ommon/collective trust funds:				
Federated Capital Preservation Fund - ISP Share Class	763,479		712,296	
Schwab Managed Retirement Trust Income Fund Class III (added December 27, 2007)	—		—	
Schwab Managed Retirement Trust 2010 Fund Class III (added December 27, 2007)	27		—	
Schwab Managed Retirement Trust 2020 Fund Class III (added December 27, 2007)	261,720		—	
Schwab Managed Retirement Trust 2030 Fund Class III (added December 27, 2007)	92,530		—	
Schwab Managed Retirement Trust 2050 Fund Class III (added December 27, 2007)	26,409		—	

Schwab Managed Retirement Trust 2040 Fund Class III (added December 27, 2007)	6,895		—	
ommon stock fund:				
EFSC Common Stock Fund	991,856	**	—	
ommon stock:				
Enterprise Financial Services Corp (NASDAQ: EFSC) (converted to the EFSC Common Stock Fund on January 1, 2008)	—		1,863,252	n
rticipant loans	212,636		257,740	

n Nonparticipant directed investment

** Represented 5% or more of the Plan's net assets available for benefits. All other amounts included for comparison purposes only.

The Plan’s investments (including gains and losses in investments bought and sold, as well as held during the year) depreciated in value as follows for the years ended December 31:

	Years ended December 31, 2008	2007
Mutual funds	$ (4,729,595)	$ 105,916
Common/collective trust funds	(144,026)	—
Common stock fund and common stock	(617,994)	(795,781)
	$ (5,491,615)	$ (689,865)

Information about the assets and the significant components of the changes in assets relating to nonparticipant-directed investments follows:

	For The Years Ended December 31, 2008	2007
Assets:		
Enterprise Financial Services Corp common stock, 0 and 78,255 shares, respectively	**$** —	$ 1,863,252
Changes in assets:		
Employer contributions	**$** —	
Net transfers to participants-directed investments	(1,080,372)	
Interest and dividend income	14,682	
Benefits paid	(179,568)	
Depreciation in fair value of investments	(617,994)	
	$ (1,863,252)	

On January 1, 2008, a common stock fund containing Enterprise Financial Services Corp common stock was added as a participant-directed investment. The Enterprise Financial Services Corp common stock in the Plan as of December 31, 2007 was from company matches in 2001 through 2005. These shares were unitized and transferred to the common stock fund on January 1, 2008. In 2007, the Plan implemented rules relating to the Pension Protection Act of 2006, which required plans to allow participants the option to diversify from employer stock. Prior to the creation of the EFSC Common Stock Fund, participants were not allowed to buy into the

Enterprise Financial Services Corp common stock in the Plan.

Fair Value Measurements

Effective January 1, 2008 the Plan adopted FASB Statement No. 157, *Fair Value Measurement*, (FAS 157) which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are described below.

- *Level 1 Inputs* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

- *Level 2 Inputs* Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- *Level 3 Inputs* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilitys fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2008 and 2007.

- Mutual funds Valued at the net asset value (NAV) of shares held by the Plan at year end.
- Common/collective trust funds Valued at fair value with the exception of the Federated Capital Preservation Fund, which is stated at contract value. The contract value of the Federated Capital Preservation Fund closely approximated fair value.
- Common stock fund Valued at the closing price reported on the active market on which the individual securities are traded.
- Participant loans Valued at their outstanding balances, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan Administrator believes the valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plans assets at fair value as of December 31, 2008.

	Fair Value Measurements using Input Type			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 8,216,395	$	$	$ 8,216,395
Common/collective trust funds		1,151,060		1,151,060
Common stock fund		991,856		991,856
Participant loans			212,636	212,636

Total investments at fair value	$	8,216,395	$	2,142,916	$	212,636	$	10,571,947

The table below sets forth a summary of changes in the fair value of the Plans level 3 assets for the year ended December 31, 2008.

		Level 3 Assets Participant Loans
Balance at January 1, 2008	$	257,740
Issuances, repayments and settlements, net		(45,104)
Balance at December 31, 2008	$	212,636

NOTE 4 PLAN TERMINATION

Although it has not expressed intent to do so, Enterprise has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts. Enterprise may elect to have all assets transferred to another qualified plan in which all participants who would have otherwise received a distribution will have an interest, and each participants interest will be nonforfeitable as to amounts attributable to assets transferred on his or her behalf.

NOTE 5 INCOME TAX STATUS

The Plan received a favorable determination letter dated August 7, 2001 from the Internal Revenue Service stating that the Plan, as designed, is in compliance with the applicable requirements of the Internal Revenue Code. The Plan Sponsor amended and restated the Plan effective January 1, 2003 by adopting the Retirement Plan Services, LLC prototype document. The Plan Administrator believes that the Plan is qualified and the related trust is tax-exempt.

Currently, the Plan Administrator is working with the Plans counsel to correct certain operational failures of the Plan. The Plan Administrator will submit the corrections for approval through the Internal Revenue Services voluntary correction program. The Plan Administrator believes that the corrective actions will maintain the tax qualified status of the Plan and the related trust will continue to be tax-exempt.

NOTE 6 TRANSACTIONS WITH PARTIES-IN-INTEREST

During 2008 and 2007, the Plan purchased 87,635 and 7,024 EFSC common shares, respectively. The Plan also sold or distributed a total of 24,244 and 20,203 EFSC common shares, during 2008 and 2007, respectively. All shares were bought or sold on the open market.

Enterprise owns a 10% membership interest in Retirement Plan Services, LLC, the Plans third-party recordkeeper.

The investment advisor for the Plan is Moneta Group, a nationally recognized firm in the financial planning industry. In 1997, Enterprise entered into a solicitation and referral agreement with Moneta Group. Certain Moneta Group employees have been granted stock options under this referral agreement for EFSC common stock which can be exercised through 2013. The number of outstanding stock options held by Moneta Group at December 31, 2008 was 91,001. There have been no stock options issued to Moneta Group employees since 2003.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON SUPPLEMENTARY INFORMATION

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held at end of year is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the

Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ RubinBrown LLP
St. Louis, Missouri
June 29, 2009

EFSC INCENTIVE SAVINGS PLAN
SUPPLEMENTAL SCHEDULE

EIN: 43-1706259 PLAN: 001
SCHEDULE OF ASSETS HELD AT END OF YEAR
December 31, 2008

Identity of issuer, borrower, lessor or similar party	Description of investment, including maturity date, collateral and maturity value
Mutual funds:	
BlackRock Small Cap Growth Equity Portfolio - Institutional Share Class	
Cohen & Steers Realty Shares, Inc.	
CRM Mid-Cap Value Fund - Institutional Shares	
Davis New York Venture Shares - Class A Shares	
Dodge and Cox Stock Fund	
American Funds EuroPacific Growth Fund, Class A Shares	
American Funds The Growth Fund of America, R4	
PIMCO Total Return Fund - Administrative Class	
Third Avenue Small-Cap Value Fund	
Turner Mid-Cap Growth Fund, Investor Class Shares	
Trendstar Small-Cap Fund	
Tweedy Browne Global Value Fund	
Vanguard 500 Index Fund, Signal Shares	
Common/collective trust funds:	
Federated Capital Preservation Fund - ISP Share Class	
Schwab Managed Retirement Trust Income Fund Class III	
Schwab Managed Retirement Trust 2010 Fund Class III	
Schwab Managed Retirement Trust 2020 Fund Class III	
Schwab Managed Retirement Trust 2030 Fund Class III	
Schwab Managed Retirement Trust 2050 Fund Class III	
Schwab Managed Retirement Trust 2040 Fund Class III	
Common stock fund:	
EFSC Common Stock Fund *	
Participant loans	Interest rates ranging from 5.00% to 10.00%; Due at various dates through 2035
Total Investments	

* Represents a party-in-interest to the Plan.

The above information is a required disclosure for IRS Form 5500, Schedule H, Part IV, line 4i.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Trustees or other persons who administer the employee benefit plan) has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 29, 2009

EFSC Incentive Savings Plan

/s/ Deborah N. Barstow
Deborah N. Barstow
Senior Vice President & Controller
Enterprise Financial Services Corp

EXHIBIT INDEX

Exhibit No.	Description
23	Consent of Independent Registered Public Accounting Firm