

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification thereof under the laws of such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 26, 2009**

**NEW ISSUE – Book-Entry Only**

**RATINGS: Oklahoma #1  
Moody's: (Applied For)  
Standard & Poor's: (Applied For)**

*In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Furthermore, in the opinion of Bond Counsel, under present law, interest on the Bonds is exempt from Oklahoma income taxation. The Bonds will not be designated by the School District as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. See "Tax Matters" herein.*

**\$10,000,000  
INDEPENDENT SCHOOL DISTRICT NO. 3  
TULSA COUNTY, OKLAHOMA  
(Broken Arrow Board of Education)  
COMBINED PURPOSE BONDS, SERIES 2009A**

**DATED: March 1, 2009**

**DUE: March 1, as shown below**

The \$10,000,000 Combined Purpose Bonds, Series 2009A (the "Bonds" or the "2009A Bonds") will be issued, in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases of the Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through DTC participants. Purchases of the Bonds may be made in the denominations of \$1,000 or multiples thereof. Beneficial owners of the Bonds will not receive physical delivery of Bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payment of the principal of, and premium, if any, on the Bonds will be made by Bank of Oklahoma, N.A., Tulsa, Oklahoma, as initial Paying Agent/Registrar (the "Paying Agent"), directly to DTC or its nominee. Interest on the Bonds is payable March 1 and September 1, commencing March 1, 2010. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. (See "DESCRIPTION OF THE BONDS--Book-Entry System" herein.) **The Bonds are not subject to redemption prior to maturity.**

The Bonds constitute direct and general obligations of Independent School District No. 3, Tulsa County, Oklahoma, payable as to principal and interest from ad valorem taxes which may be levied **WITHOUT LIMITATION AS TO RATE OR AMOUNT** on all taxable property within the School District, excepting homestead exemptions, as prescribed in Article X, Section 26, of the Constitution of the State of Oklahoma. The Bonds are to be issued pursuant to an election held on December 12, 2006, at which time the qualified electors approved the issuance of \$47,600,000 for building and equipment purposes and \$500,000 to purchase transportation equipment. The 2009A Bonds are being issued for (i) building and equipment purposes (\$9,500,000), and (ii) to purchase transportation equipment (\$500,000). See "DESCRIPTION OF THE BONDS--Purpose of the Bonds" herein.

**MATURITY SCHEDULE**

| <u>Due</u><br><u>March 1</u> | <u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>Yield/</u><br><u>Price</u> | <u>Cusip</u> * |
|------------------------------|---------------|--------------------------------|-------------------------------|----------------|
| 2011                         | \$2,500,000   |                                |                               |                |
| 2012                         | 2,500,000     |                                |                               |                |
| 2013                         | 2,500,000     |                                |                               |                |
| 2014                         | 2,500,000     |                                |                               |                |

\* CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. and are included solely for the convenience of the owners of the Bonds. Neither the School District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

(Plus Accrued Interest)

The Bonds are offered when, as and if issued and received by the original purchaser thereof, subject to prior sale, to withdrawal or modifications of the offer without any notice, and to the approval of legality of the Bonds by the Attorney General of the State of Oklahoma and Hilborne & Weidman, A Professional Corporation, Tulsa, Oklahoma, Bond Counsel. It is expected that the Bonds will be available for delivery to the original purchaser on or about March 17, 2009.

FINANCIAL ADVISOR  
**MUNICIPAL FINANCE SERVICES, INC.**  
Edmond, Oklahoma

Official Statement dated \_\_\_\_\_.

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Interest rates, reoffering yields or prices and ratings will be set forth in the Final Official Statement described herein.  
(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)

The Bonds are offered only by means of this Official Statement. This Official Statement does not constitute an offering of any security other than the Bonds specifically offered hereby. This Official Statement does not constitute an offer to sell or a solicitation for an offer to buy the Bonds in any state or jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale, and no dealer, broker, salesman or other person has been authorized to make such unlawful offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds and if given or made, such other information or representations must not be relied upon.

In governmental matters with respect to any filing or use of "prospectus" in any state or jurisdiction, this Official Statement may be deemed to be such a prospectus. The Bonds are not registered under the United States Securities Act of 1933, as amended, pursuant to an exemption under Section 3(a) of that Act, and the Issuer does not intend to list the Bonds on any stock or other securities exchange. The U.S. Securities and Exchange Commission has not passed upon the accuracy or adequacy of this Official Statement. With respect to the various states in which the Bonds may be offered, no Attorney General, other state official, state agency or bureau, or other state or local governmental entity has passed upon the accuracy or adequacy of this Official Statement or passed on or endorsed the merits of this offering of Bonds.

Any statements contained in this Official Statement, including the Exhibits hereto, involving matters of opinion, estimates or projections, whether or not expressly so stated, are intended as such and not as representations of fact. Summaries of documents do not purport to be complete or definitive, and all references made to such documents are qualified in their entirety by reference to the complete document, copies of which are available at the Issuer. The Underwriters have reviewed the information in the Official Statement in accordance with, and as a part of their 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. Such information is subject to change and/or correction without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall create any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

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Exhibits

- A Summary of Continuing Disclosure Certificate
- B Form of Bond Counsel Opinion

**INDEPENDENT SCHOOL DISTRICT NO. 3  
TULSA COUNTY, OKLAHOMA**

**BROKEN ARROW BOARD OF EDUCATION**

|                      |                                |
|----------------------|--------------------------------|
| Mr. Terry Stover     | <i>President</i>               |
| Ms. Sharon Whelpley  | <i>Vice President</i>          |
| Ms. Stephanie Updike | <i>Clerk and Member</i>        |
| Ms. Maryanne Flippo  | <i>Deputy Clerk and Member</i> |
| Ms. Shari Wilkins    | <i>Member</i>                  |

**SCHOOL OFFICIALS**

|                      |                         |
|----------------------|-------------------------|
| Dr. Gary Gerber      | Interim Superintendent  |
| Ms. Ann Wade         | Chief Financial Officer |
| Ms. Brenda J. Martin | Treasurer               |

**FINANCIAL ADVISOR**

Municipal Finance Services, Inc.  
Edmond, Oklahoma

**BOND COUNSEL**

Hilborne & Weidman,  
A Professional Corporation  
Tulsa, Oklahoma

## SUMMARY STATEMENT

*The following information is furnished solely to provide limited introductory information regarding Independent School District No. 3 of Tulsa County, Oklahoma (Broken Arrow Board of Education) (the "School District"), \$10,000,000 Combined Purpose Bonds, Series 2009A (the "Bonds" or the "2009A Bonds"), and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement.*

|                        |  |
|------------------------|--|
| Issuer:                | Independent School District No. 3 of Tulsa County, Oklahoma (Broken Arrow Board of Education)  |
| Security:              | The Bonds constitute direct and general obligations of the School District, payable as to principal and interest from ad valorem taxes which may be levied <b>WITHOUT LIMITATION AS TO RATE OR AMOUNT</b> on all taxable property within the District, excepting homestead exemptions, as prescribed in Article X, Section 26, of the Constitution of the State of Oklahoma.   |
| Purpose:               | Proceeds from the 2009A Bonds will be utilized to complete the Performing Arts Center, construct new locker rooms at High School stadium, acquire technology and instructional needs, make renovations at school sites throughout the District and acquire various other equipment as needed by the District (\$9,500,000) and to purchase transportation equipment (\$500,000).   |
| Redemption Provisions: | The Bonds are not subject to redemption prior to maturity.   |
| Denominations:         | \$1,000 or multiples thereof.  |
| Record Date:           | The fifteenth (15th) day preceding any interest payment date.  |
| Principal Payments:    | Annually commencing March 1, 2011, by check, draft or wire of the Paying Agent to the owner as of the record date.   |
| Interest Payments:     | Semiannually on March 1 and September 1, commencing March 1, 2010, by check, draft or wire of the Paying Agent to the owner as of the record date.   |
| Tax Matters:           | In the opinion of Bond Counsel to the School District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Furthermore, in the opinion of Bond Counsel, under present law, interest on the Bonds is exempt from Oklahoma income taxation. <b>The Bonds will not be designated by the School District as "qualified tax-exempt obligations"</b> within the meaning of Section 265(b) of the Code. See "TAX MATTERS" herein. |
| Legal Matters:         | Legal matters incident to the authorization and issuance of the Bonds are subject to the approving certificate of the Attorney General of the State of Oklahoma and legal opinion of Hilborne & Weidman, A Professional Corporation, Tulsa, Oklahoma, Bond Counsel.  |

- Authority for Issuance: The Bonds are issued under the provisions of Article X, Section 26, of the Constitution of the State of Oklahoma, as amended, and laws of the State of Oklahoma supplementary thereto, including without limitation, Title 70, Article XV of the Oklahoma Statutes 2001, and laws supplementary and amendatory thereto. At an election held December 12, 2006, the qualified electors of the School District voters approved the issuance of \$47,600,000 for building and equipment purposes and \$500,000 for transportation equipment.
- Delivery: Expected on or about March 17, 2009 in New York, New York, or as directed by the Purchaser, payable in immediately available funds.
- Limitations on Transfer of Securities: No dealer, broker, salesman or other person has been authorized by the School District, the Financial Advisor or the Purchaser to give any information or to make any representations other than those contained in this Preliminary Official Statement or the Final Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the School District or the Financial Advisor.
- Limitations on Offering or Reoffering Securities: This Preliminary Official Statement nor the Final Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.
- No Litigation: There is no litigation now pending or, to the knowledge of School District officials, threatened, which questions the validity of the Bonds or of any proceedings of the School District taken with respect to the issuance or sale thereof.

*The Official Statement is in a form deemed final as of its date for purposes of Securities and Exchange Commission rule 15c2-12 (the "Rule"), but is subject to minor revision or amendment in accordance with the Rule. Not later than seven business days following the award of the Bonds, the Issuer shall provide copies of the Final Official Statement, as that term is used in the Rule, to the Purchaser of the Bonds. The Purchaser will be supplied with Final Official Statements in a quantity sufficient to meet its request. Up to 40 copies of the Final Official Statement will be furnished without cost.*

Questions regarding the Bonds or the Official Statement can be directed to and additional copies of the Official Statement and the School District's audited financial reports may be obtained from Municipal Finance Services, Inc., P.O Box 747, Edmond, Oklahoma 73083-0747 (405/340-1727), the School District's Financial Advisor, or Ms. Ann Wade, Chief Financial Officer, Broken Arrow Public Schools, 601 South Main Street, Broken Arrow, Oklahoma 74012-4334 (918/259-4300).

**OFFICIAL STATEMENT**  
**relating to**  
  
**\$10,000,000**  
**INDEPENDENT SCHOOL DISTRICT NO. 3**  
**TULSA COUNTY, OKLAHOMA**  
**(Broken Arrow Board of Education)**  
**COMBINED PURPOSE BONDS, SERIES 2009A**

**INTRODUCTION**

This Official Statement, including the cover page and Exhibits hereto, is being provided by the Board of Education of Independent School District No. 3 of Tulsa County, Oklahoma, also known as the Broken Arrow Public School District (the "District"), in connection with the issuance of its \$10,000,000 Combined Purpose Bonds, Series 2009A dated March 1, 2009. The Bonds are issued pursuant to the provisions of and in full compliance with the Constitution and Laws of the State of Oklahoma, particularly Article X, Section 26, of the Constitution of Oklahoma and Title 70, Article XV of the Oklahoma Statutes 2001, and laws supplementary and amendatory thereto.

The Bonds were approved by the qualified electors of the District at an election held on December 12, 2006, at which time the voters authorized the issuance of \$47,600,000 for building and equipment purposes, \$500,000 to purchase transportation equipment and the levying of ad valorem or property taxes each year without limitation as to rate or amount to pay principal and interest on the Bonds - see "DESCRIPTION OF THE BONDS-Security for the Bonds."

The 2009A Bonds are to be issued pursuant to voter authorization. Proceeds from the 2009A Bonds will be utilized to complete the Performing Arts Center, construct new locker rooms at High School stadium, acquire technology and instructional needs, make renovations at school sites throughout the District and acquire various other equipment as needed by the District (\$9,500,000) and to purchase transportation equipment (\$500,000).

**DESCRIPTION OF THE BONDS**

**The Bonds**

The 2009A Bonds are dated March 1, 2009, and are issuable in fully registered form without coupons in denominations of \$1,000, or with respect to principal maturing on the same date, or multiples thereof. The Bonds will mature March 1 of the year and in the principal amounts and interest rates shown on the cover page of this Official Statement. Interest is payable March 1 and September 1 of each year, commencing March 1, 2010, by check, wire or draft mailed to the registered holders of thereof. Principal and premium, if any, on the Bonds is payable at the principal corporate office of the Paying Agent.

**Redemption Provisions**

The Bonds are not subject to redemption prior to maturity.

**Book-Entry System**

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal of, and premium, if any, and interest and other payments with respect to the Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and among DTC, the Direct Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information

concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters, the School District or the Participants.

DTC will act as securities depository for the Bonds. The Bonds 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 officer of DTC. One fully-registered bond certificate will be issued for each stated maturity of each series of the Bonds, in the aggregate principal amount of such maturity and will be deposited with DTC.

**DTC and its Participants.** 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, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales 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 certificates. 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 ("NSCC"), Government Securities Clearing Corporation ("GSCC"), MBS Clearing Corporation ("MBSCC") and Emerging Markets Clearing Corporation ("EMCC") (NSCC, GSCC, MBSCC and EMCC are 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 S&P's highest rating: AAA. The DTC Rules applicable to DTC's Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

**Purchase of Ownership Interests.** Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners (the "Book-Entry-Only System"). Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

**Notices.** 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 of the Bonds within a maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (or such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the respective Agency 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 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

**Payments of, Principal, Premium, if any, and Interest.** Principal, premium, if any, and interest payments with respect to the Bonds 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 respective Agency or the respective Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participants and Indirect Participant and not of DTC or its nominee, the Paying Agent/Registrars, the Participants or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the applicable Paying Agent/Registrar. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Bonds at any time by giving reasonable notice to the applicable Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, the Bonds of such series are required to be authenticated and delivered as described in the applicable Indenture.

If the School District would like to discontinue the use of the system of book-entry transfers of a series of the Bonds issued by it through DTC (or a successor securities depository), the applicable Issuer shall make such request of DTC (or a successor securities depository). Upon receipt of any such withdrawal request, (i) DTC will issue an Important Notice notifying its Direct Participants of the receipt of a withdrawal request from the Issuer reminding Direct Participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC and (ii) DTC will process withdrawal requests submitted by Direct Participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the Issuer.

THE SCHOOL DISTRICT, THE PARTICIPANTS AND THE PAYING AGENT/REGISTRARS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE SCHOOL DISTRICT, THE PARTICIPANTS NOR THE PAYING AGENT/REGISTRARS WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN IN THE REGISTRATION BOOKS OF THE RESPECTIVE AGENCY KEPT BY THE APPLICABLE PAYING AGENT/REGISTRAR AS BEING A BONDHOLDER. THE SCHOOL DISTRICT, THE PARTICIPANTS AND THE PAYING AGENT/REGISTRARS SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO (i) ANY OWNERSHIP INTEREST IN THE 2009A BONDS; (ii) THE PAYMENT BY DTC TO ANY PARTICIPANT OR BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (iii) THE DELIVERY TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE APPLICABLE INDENTURE; (iv) THE SELECTION BY DTC OR ANY PARTICIPANTS OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS, OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

SO LONG AS CEDE & CO. IS REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

**Transfer Fees.** For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by such Paying Agent/Registrar, DTC or the DTC Participant in connection with such transfers or exchanges.

**Use of Certain Terms in Other Sections of this Official Statement; Certain Disclaimers.** In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the DTC Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the applicable Indenture will be given only to DTC.

### **Interest Computation**

Interest on the 2009A Bonds will be computed on a 360-day year, 30-day month basis. Payments coming due on a non-business day will be paid the following business day.

### **Record Date**

The record date ("Record Date") for the 2009A Bonds shall be the close of business on the fifteenth (15th) day preceding any interest payment date.

### **Authorization of the Bonds**

The Bonds are issued pursuant to the provisions of and in full compliance with the Constitution and Laws of the State of Oklahoma, particularly Article X, Section 26, of the Constitution of the State of Oklahoma and Title 70, Article XV of the Oklahoma Statutes 2001, and laws supplementary and amendatory thereto, and a resolution of the Board of Education to be adopted on February 9, 2009. At an election held December 12, 2006, the qualified electors of the School District approved two propositions. Proposition No. 1 authorized the issuance of \$47,600,000 for building and equipment purposes and Proposition No. 2 authorized the issuance of \$500,000 to purchase transportation equipment.

### **Purpose of the Bonds**

Proceeds from the 2009A Bonds will be utilized to complete the Performing Arts Center, construct new locker rooms at High School stadium, acquire technology and instructional needs, make renovations at school sites throughout the District and acquire various other equipment as needed by the District (\$9,500,000) and to purchase transportation equipment (\$500,000).

### **Security for the Bonds**

Under state laws, school districts cannot become indebted beyond one year or for an amount in excess of the income and revenue provided in such year without authorization from the voters. Under Article X, Section 26, school districts may issue obligations in an amount such that the total aggregate net indebtedness (including judicial judgments) shall not exceed ten percent of the net assessed valuation of taxable property within the district upon approval of three-fifths (60 percent) of the voters in an election held for such purpose. The Bonds are secured by ad valorem or property taxes levied annually **Without Limitation As To Rate Or Amount** to pay principal and interest.

Ad valorem taxes for bond payments are deposited into a sinking fund created under Title 70, Oklahoma Statutes 2001, Section 1-119. The tax rate for sinking fund purposes is determined annually by ascertaining the actual revenue required for payment of principal and interest on indebtedness, fiscal agent fees and judgments. Such total amount may then be reduced by any surplus from the prior fiscal year. A reserve for delinquent taxes is then added to the net requirements to derive the actual taxes to be levied. The School District has traditionally levied a five percent delinquency. The actual levy amount is then apportioned by the total net assessed valuation to determine the appropriate tax rate for each taxpayer. Under state law, tax collections for a sinking fund cannot be placed in any fund of a school district other than the sinking fund.

## **Tax Levy Collection Process**

Oklahoma statutes require that each year the School District makes an ad valorem tax levy for a sinking fund which shall, with cash and investments in the fund, be sufficient to pay all the bonded indebtedness, interest and one-third of all outstanding judgments coming due in the following year.

After review and approval by the Board of Education, copies of the sinking fund estimates are submitted to the county excise board to determine the ad valorem tax levy appropriations. This submission is required to be made by October 1 of each year. The estimates are for the purposes of determining ad valorem taxes required to fund the sinking fund. The amounts contained in the Estimate of Needs are verified by the county excise board and, upon verification, the levies contained therein are ordered to be certified to the county assessor in order that the county assessor may extend said levies upon the tax rolls for the year for which the Estimate of Needs is being submitted. The county excise board further certifies that the appropriations contained in the Estimate of Needs and the millage rate levies are within the limitations provided by law. In accordance with Title 68, Oklahoma Statutes 2001, Section 3007, the County Excise Board may make adjustments to the Estimate of Needs as deemed appropriate.

State statutes make it mandatory for any unit of local government to annually provide for a tax sufficient to pay the principal and interest as they become due on any outstanding debt. If the proper officer whose duty it is to annually provide the necessary tax for debt service fails to do so, it becomes the duty of the county clerk, who serves as secretary of the county excise board. Failure by either the particular unit of government or the county clerk to levy the necessary taxes for debt service makes it the duty of the state auditor to certify the proper amount to the county treasurer who is then required to make the necessary levy.

The county assessor is required to file a tax roll report on or before October 1 of each year with the county treasurer indicating the net assessed valuation for each governmental entity within the county. This report includes the assessed valuation for all real, personal and public service property (public service property assessed valuations are determined by the Oklahoma Tax Commission). The county treasurer must begin collecting taxes by November. The first half of taxes are due and payable on or before December 31. The second half becomes due and payable on or before March 31. If the first half is not paid by December 31, it all becomes due and payable on January 1.

Ad valorem taxes not paid on or before April 1 are considered delinquent. Interest accrues on delinquent taxes at the rate of one and one-half percent monthly (18 percent annually) to a maximum of 100 percent of the taxes due and owing until such time as the delinquent taxes are paid. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The purchaser is issued a Certificate of Tax Lien; however, the original owner of the property has two years in which to redeem the property by paying the taxes and penalties owed. If at the end of two years the original owner has not done so, the purchaser may then apply for a deed to the property. If there is no purchaser, then the county acquires the same lien and the property is auctioned after approximately two and one-half years.

## **BROKEN ARROW PUBLIC SCHOOL DISTRICT**

### **General**

Independent School District No. 3 of Tulsa County, Oklahoma (Broken Arrow Public Schools) is located in southeast Tulsa County and a portion of western Wagoner County, Oklahoma. The District encompasses 116 square miles primarily overlying the City of Broken Arrow, Oklahoma, which is located fifteen miles southeast of downtown Tulsa. Oklahoma State Highway 51 (Broken Arrow Expressway) bisects the District and is a major transportation thoroughfare from Tulsa to eastern Oklahoma and points south. Population growth in the area has been dramatic over the last thirty years. As a result, the District's enrollment has increased in conjunction with population growth.

The District was first formed in 1904 when the Broken Arrow City Council voted a two percent tax on property holders to fund a school building. The first graduating class consisted of three persons in May 1908, with a total student enrollment of 300. Since that time, the District has steadily grown to 16,196 students. The District employs 2,021 persons of whom 1,149 are certified teachers, 90 are administrators and 782 are support staff. All teachers employed by the District have degrees as well as special training in their major field of instruction and are certified by the Oklahoma State Department of Education. All sites in the District are fully accredited by the Oklahoma State Department of Education and the North Central Accreditation Association.

The existing physical facilities of the School District include fourteen elementary schools and eight secondary schools with a new middle school opened in 2002. Elementary schools educate grades kindergarten through fifth; middle schools accommodate sixth, seventh and eighth graders. Students in grades nine and ten attend intermediate high schools and the senior high school includes eleventh and twelfth grades. The District operates 127 buses, transporting approximately 50 percent of all students.

In 2007, the population of the School District was estimated at 81,173 persons. The estimated median household income for the City of Broken Arrow as of 2007 is \$63,5312 compared to the statewide average of \$41,567. Consequently, income levels in the District are significantly greater than state averages, reflecting the affluent nature of the area.

Some of the major employers and industries in the District include: Broken Arrow Public Schools; Wal-Mart stores; Gatesway Foundation, the City of Broken Arrow and Flight Safety International.

Residential and commercial development has been prolific in the District as shown by the historical building permits for the City of Broken Arrow in Table 1.

**Table 1**  
**City of Broken Arrow**  
**Building Permits**

| <b>Year</b> | <b>RESIDENTIAL</b> |                 | <b>COMMERCIAL</b> |                 | <b>TOTAL</b>  |                 |
|-------------|--------------------|-----------------|-------------------|-----------------|---------------|-----------------|
|             | <b>Number</b>      | <b>\$ Value</b> | <b>Number</b>     | <b>\$ Value</b> | <b>Number</b> | <b>\$ Value</b> |
| 2008        | 459                | \$89,075,773    | 99                | \$190,741,064   | 558           | \$279,816,837   |
| 2007        | 831                | 153,232,901     | 52                | 44,038,360      | 987           | 197,271,261     |
| 2006        | 905                | 139,408,678     | 82                | 68,890,051      | 987           | 208,298,729     |
| 2005        | 1027               | 126,944,416     | 136               | 112,866,514     | 1163          | 239,810,930     |
| 2004        | 707                | 95,067,597      | 46                | 27,564,645      | 753           | 122,632,242     |
| 2003        | 662                | 86,205,697      | 37                | 28,067,174      | 699           | 114,272,871     |
| 2002        | 582                | 64,131,264      | 42                | 31,617,592      | 624           | 95,748,856      |
| 2001        | 701                | 94,429,199      | 49                | 35,266,267      | 750           | 129,695,466     |
| 2000        | 1066               | 90,232,988      | 114               | 105,059,171     | 1180          | 195,292,159     |
| 1999        | 1128               | 103,664,742     | 128               | 36,556,804      | 1256          | 140,221,546     |

Source: City Records.

**Governing Body**

The governing body of the School District is the Board of Education comprised of five members elected for five-year terms. Current members of the Board and their positions are as follows:

- |                      |                         |
|----------------------|-------------------------|
| Mr. Terry Stover     | President               |
| Ms. Sharon Whelpley  | Vice-President          |
| Ms. Stephanie Updike | Clerk and Member        |
| Ms. Maryanne Flippo  | Deputy Clerk and Member |
| Ms. Shari Wilkins    | Member                  |

## Administrative Personnel

Key administrative personnel of the District are described below:

**Dr. Gary W. Gerber, Interim Superintendent.** Dr. Gerber was named Interim Superintendent of Broken Arrow Public Schools in October 2008 to replace Dr. James Sisney. Dr. Gerber has been employed by the District since 1974 and was named Assistant Superintendent of Operations in 2003. Dr. Gerber has had positions as Oklahoma Certified School Psychologist, Secondary Principal and Superintendent, Executive Director of Special Services from 1975 to 2000 and Assistant Superintendent of Student Services in 2000.

**Ann Wade, Chief Financial Officer.** Ms. Wade was employed by the District as Chief Financial Officer for the Broken Arrow School District in July 2008. She started her career in school business in July, 1986. Prior to her career in education, she had 14 years of experience as a Business Manager and Investment Officer for private industry. Ms Wade worked as a consultant for many school districts in the 23 years she has worked in education. As a consultant for the districts, she evaluated and made recommendations for business operations, treasurer services, internal auditing procedures and performed special investigative audits. She served as President for the Association of School Business Officials in 2007 and received the honor as School Business Official of the year from the Oklahoma Association of School Business Officials organization in 2007.

## Historical Enrollment

The School District has experienced stable growth in student enrollment in recent years. Table 2 presents enrollment figures for school years 1999-00 through 2008-09.

**Table 2**  
**Historical Enrollment**

| <u>SCHOOL YEAR</u> | <u>GRADES K-5</u> | <u>GRADES 6-8</u> | <u>GRADES 9-12</u> | <u>TOTAL ENROLLMENT</u> | <u>PERCENT CHANGE</u> |
|--------------------|-------------------|-------------------|--------------------|-------------------------|-----------------------|
| 1999-00            | 7,053             | 3,443             | 4,280              | 14,776                  | -0.16                 |
| 2000-01            | 7,067             | 3,419             | 4,330              | 14,816                  | 0.27                  |
| 2001-02            | 6,977             | 3,387             | 4,243              | 14,607                  | -1.41                 |
| 2002-03            | 6,687             | 3,521             | 4,352              | 14,560                  | -0.32                 |
| 2003-04            | 6,905             | 3,508             | 4,258              | 14,671                  | 0.76                  |
| 2004-05            | 7,153             | 3,496             | 4,393              | 15,042                  | 2.53                  |
| 2005-06            | 7,447             | 3,505             | 4,430              | 15,382                  | 2.26                  |
| 2006-07            | 7,619             | 3,577             | 4,507              | 15,703                  | 2.09                  |
| 2007-08            | 7,782             | 3,659             | 4,570              | 16,011                  | 1.96                  |
| 2008-09            | 8,005             | 3,628             | 4,563              | 16,196                  | 1.16                  |

Source: Oklahoma Department of Education

## FINANCIAL INFORMATION

### General

The School District follows the accounting practices prescribed by the Oklahoma State Department of Education in its accounting and financial reporting procedures, including the use of the system of accounting as provided by Title 70, Oklahoma Statutes 2001, Section 5-135. These accounting practices closely resemble generally accepted accounting principles for state and local governments, except in the area of financial reporting practices. Reporting practices for state and local governments under generally accepted accounting principles are defined as those principles prescribed by the Governmental Accounting Standards Board, which is the successor organization to the National Council on Governmental Accounting (NCGA).

Generally accepted accounting principles (GAAP) require funds to be combined by fund type and for the financial statements to be prepared on the basis of these combined funds. GAAP also require that the account groups, which are general fixed assets and general long-term debt, be presented in the combined financial statements. The basic financial statements required by GAAP are: (1) combined balance sheet - all fund types and account groups; (2) combined statement of revenues, expenditures and changes in fund balances - all governmental fund types; and (3) combined statement of revenues, expenditures and changes in fund balances - budget and actual - general and certain special revenue fund types. Although similar in some aspects to the financial statements required under GAAP, the District's financial statements are not intended to represent GAAP.

**Fund Types.** The accounts of the school district are organized on the basis of funds, each of which is considered to be a separate entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures.

**General Fund** - The general fund accounts for all revenues and expenditures applicable to the general operations of the School District which are not properly accounted for in another fund.

**Special Revenue Funds** – Special revenue funds include the District’s building and child nutrition funds.

*Building Fund* - The building fund consists of monies derived from the proceeds of a building fund levy not to exceed five (5) mills in any year and may be used for erecting, remodeling, or repairing school buildings, and for purchasing furniture or for one or more, or all, of such purposes. The building fund is a current expense fund, but shall not be considered a part of the general operating fund.

*Child Nutrition Fund* - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the operations of the school cafeteria.

**Debt Service (Sinking Fund)** - The sinking fund consists of money derived from ad valorem taxes or otherwise as provided by law for the payment of bonds, judgments and interest thereon.

**Capital Project Funds** - The capital project funds consist of monies derived from the sale of bonds and which are to be used for specific capital projects ranging from construction or acquisition of capital facilities to the purchase of designated equipment. Capital project funds differ from general and building funds in that the latter categories have a year-to-year life, whereas each capital project fund exists for the duration of the project.

**Trust and Agency Funds** - The trust and agency funds account for assets held by the District in a trustee capacity for individuals, private organizations, other governmental units and/or other funds.

**Expendable Trust Funds**

*Medical Insurance Fund* - established to account for revenue and expenditures for all types of self-funded medical coverage.

*Gifts and Endowments Fund* - established to account for revenue received from a philanthropic foundation, private individual or private organization for which no repayment or special service to the contributor is expected.

*Workers’ Compensation Fund* - established to account for the accumulation, recording and disbursing of District contributions to the District’s self-insured workers’ compensation program.

**Agency Funds**

*School Activities Funds* - established to account for monies collected principally through the fundraising efforts of students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

**Basis of Accounting.** The District's financial statements are prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma. Revenues are recorded as received in cash, except for revenues susceptible to accrual and material revenues that are not received at the normal time of receipt. Expenditures are recorded in the accounting period in which the fund liability is incurred and encumbered. This practice differs from generally accepted accounting principles. Accordingly, the District's financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

**Budgets.** The School District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the School District must hold an election on the second Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If at an election the voters reject the additional taxes, the School District must adopt a budget within the approved tax rate.

A budget is legally adopted by the Board of Education for the General Fund and other funds that include revenues and expenditures. These budgets are prepared on a cash basis for revenues and expenditures. Budgetary control is maintained by fund, function, and activity; budgeted expenditures may not exceed appropriations at the fund level. Amendments may be made to the budget without approval by the governing body at the function and activity levels. Fund level budgetary amendments require approval of the governing body.

In addition, encumbrance accounting is employed. Under this system, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. At the end of the year, encumbered appropriations for which goods and/or services have not been received lapse. At the beginning of the next year, prior year encumbrances which are still appropriate are reestablished.

## **Historical Financial Performance**

**Revenue Sources.** Local sources of funding are derived from ad valorem or property taxes assessed each year within the School District pursuant to provisions of the Constitution of the State of Oklahoma contained in Article X, Section 9. These taxes consist of the following components:

- No less than five mills of a total of 15 mills levied for county, municipal and school district purposes.
- Fifteen mills levied specifically for school district purposes.
- An emergency levy of five mills subject to approval by a majority of the School District voters at an annual election.
- Ten mills for local support subject to approval by a majority of the School District voters at an annual election.

Consequently, the School District generally receives 35 mills levied annually on the net assessed valuation of property within the School District boundaries. A mill is the equivalent of \$1 per \$1,000 of net assessed valuation. School District voters have routinely approved the emergency and local support levies each year. Pursuant to a recent amendment to the Oklahoma Constitution enabling local school districts to seek voter permanent approval of the 5-mill emergency levy and the 10-mill local support levy, the District submitted such permanent levies to the voters at an election held on February 13, 2001. The permanent levies were approved and the District no longer has to submit approval of these funding sources to voters on an annual basis.

The intermediate sources primarily represent a four mill levy assessed on a county-wide basis and distributed to the county school districts based on average daily attendance for the preceding year.

**General Fund.** The General Fund is created pursuant to Title 70, Oklahoma Statutes 2001, Section 1-117, to receive ad valorem taxes levied pursuant to Article X, Section 9, of the Oklahoma Constitution. The purpose of the General Fund is to pay for operations. School districts are not authorized to use these revenues for capital expenditures as defined in the statutes.

Revenues and expenditures for the last five fiscal years ending June 30 (2004 through 2008) for the General Fund are presented in Table 3.

**Table 3  
General Fund Activity**

|                             | FISCAL YEAR ENDING JUNE 30 |                     |                     |                     |                     |
|-----------------------------|----------------------------|---------------------|---------------------|---------------------|---------------------|
|                             | 2004                       | 2005                | 2006                | 2007                | 2008*               |
| REVENUES                    |                            |                     |                     |                     |                     |
| Local Sources               | \$17,743,010               | \$19,173,136        | \$20,984,607        | \$22,612,440        | \$23,083,352        |
| Intermediate Sources        | 2,911,895,                 | 3,201,508           | 3,913,065           | 3,659,519           | 3,409,448           |
| State Sources               | 44,552,467                 | 46,463,432          | 49,307,684          | 55,026,242          | 58,767,422          |
| Federal Sources             | 3,487,262                  | 4,468,006           | 5,888,609           | 5,787,963           | 5,652,240           |
| Other /Non Revenue Receipts | <u>65,997</u>              | <u>99,014</u>       | <u>80,749</u>       | <u>79,962</u>       | <u>308,110</u>      |
| TOTAL REVENUES              | \$68,760,631               | \$73,405,096        | \$80,174,714        | \$87,166,126        | \$91,220,572        |
| EXPENDITURES                | <u>(67,715,675)</u>        | <u>(72,197,945)</u> | <u>(80,262,121)</u> | <u>(87,327,979)</u> | <u>(93,920,192)</u> |
| NET OPERATING INCOME (LOSS) | \$ 1,044,956               | \$ 1,207,151        | (\$ 87,407)         | (\$ 161,853)        | (\$2,699,620)       |
| NET TRANSFERS               | 108,816                    | -                   | -                   | -                   | -                   |
| LAPSED APPROPRIATIONS#      | <u>337,441</u>             | <u>732,452</u>      | <u>1,051,019</u>    | <u>329,190</u>      | <u>636,525</u>      |
| BEGINNING FUND BALANCE      | \$ 3,427,266               | \$ 4,918,479        | \$ 6,858,083        | \$ 7,821,695        | \$ 7,989,032        |
| ENDING FUND BALANCE         | <u>\$ 4,918,479</u>        | <u>\$ 6,858,083</u> | <u>\$ 7,821,695</u> | <u>\$ 7,989,032</u> | <u>\$ 5,925,937</u> |

# Includes adjustments to prior year encumbrances.

\* Unaudited

Source: Audited Financial Statements

**Building Fund.** Pursuant to Article X, Section 10, the School District collects five mills annually subject to voter approval for deposit to the Building Fund for the purpose of (i) capital projects and improvements; (ii) remodeling or repairing school buildings; and, (iii) for purchasing furniture. Proceeds from this levy are not required to be used during the year the levy is made, but may be accumulated from year to year. Table 4 presents the revenues and expenditures of the School District's Building Fund for the last five fiscal years. The fund balance as of June 30, 2008 was \$1,108,060.

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**Table 4  
Building Fund Activity**

| FISCAL YEAR ENDING JUNE 30 |      |      |      |       |
|----------------------------|------|------|------|-------|
| 2004                       | 2005 | 2006 | 2007 | 2008* |

|                             |                    |                    |                    |                    |                    |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES                    |                    |                    |                    |                    |                    |
| Local Sources               | \$2,310,963        | \$2,739,516        | \$2,640,559        | \$2,800,432        | \$3,040,101        |
| State Sources               | 836                | 7,912              | 5,836              | 6,345              | 6,647              |
| Other Revenues              | <u>-</u>           | <u>1,598</u>       | <u>-</u>           | <u>443</u>         | <u>175</u>         |
| TOTAL REVENUES              | \$2,311,799        | \$2,749,026        | \$2,646,395        | \$2,807,220        | \$3,046,923        |
| EXPENDITURES                | <u>(3,089,588)</u> | <u>(2,967,759)</u> | <u>(2,506,403)</u> | <u>(3,508,491)</u> | <u>(2,922,435)</u> |
| NET OPERATING INCOME (LOSS) | (\$ 777,789)       | (\$ 218,733)       | \$ 139,992         | (\$ 701,271)       | \$ 124,488         |
| LAPSED APPROPRIATIONS#      | 1,600              | 472,168            | 254,769            | 57,626             | 197,824            |
| BEGINNING FUND BALANCE      | \$1,557,386        | \$ 781,197         | \$1,034,632        | \$1,429,393        | \$ 785,748         |
| ENDING FUND BALANCE         | <u>\$ 781,197</u>  | <u>\$1,034,632</u> | <u>\$1,429,393</u> | <u>\$ 785,748</u>  | <u>\$1,108,060</u> |

# Includes adjustments to prior year encumbrances.

\* Unaudited

Source: Audited Financial Statements

### Net Assessed Valuation

Since local revenue sources are dependent on the value of property within the District, trends in property valuations are an important economic indicator of a district's revenue base. The assessed valuation of property within the School District is comprised of three components: real, personal and public service. The county assessor in each county determines the real and personal property values on an annual basis. Public service valuations are compiled by the Oklahoma Tax Commission and set annually by the State Board of Equalization. Once the valuation is determined, an assessment rate is calculated to provide the assessed valuation on which the appropriate tax levy is applied.

In accordance with the Oklahoma Constitution, the assessment rate for real and personal property set by each county must be within a range established by the State Board of Equalization. As a result of passage of State Question No. 675 on November 5, 1996, the Oklahoma Constitution was amended to provide that the allowable range for real property be placed between 11 percent to 13 ½ percent and the range for personal property be set between 10 percent and 15 percent. Beginning January 1, 1997, the percentage at which real or personal property is assessed within a county shall not be increased except upon approval by a majority of the registered voters of the county, voting at an election called for that purpose by a majority of county commissioners, or upon a petition initiated by not less than ten percent (10%) of the registered voters of the county based on the total number of votes cast at the last general election for the county office receiving the highest number votes at the election. In no event shall the percentage be increased by more than one percentage point per year or increase in excess of the aforementioned assessment ranges for personal and real property. The percentage at which real or personal property is assessed within a county may be decreased within the limitations (assessment ranges) without approval of the voters of the county.

Also, as provided by State Question No. 675, all other property (primarily public service property) assessed by the State Board of Equalization shall be assessed at the percentage of its fair cash value, estimated at the price it would bring at a fair voluntary sale, at which it was assessed on January 1, 1996. Consequently, the assessment rates on public service property and on airlines and railroads included in the public service category were set at 22.85% and 11.84%, respectively.

The Constitution of the State of Oklahoma provides exemptions to real and personal property owners based on certain qualifications and guidelines. A residential homeowner is allowed a homestead exemption deduction equal to \$1,000 of net assessed valuation. The homeowner must apply annually for the exemption in order to receive the deduction.

An exemption on certain household property taxes was approved by the voters of the state in the form of State Question 648 at an election held November 3, 1992. This exemption applies to "household goods of the heads of families and livestock employed in support of the family." State Question 648 actually authorized each county to hold an election approving the exemption. On September 14, 1993, Tulsa County voters became the first county in Oklahoma to approve the household property exemption. The exemption was effective for tax year 1994. State Question 648 provided for an adjustment in the mill levies assessed by counties and schools which will prevent the School District from experiencing a decline in local revenues. The adjusted mill levies for the School District's General Fund and Building Fund for Fiscal Year 2003-04 were 36.40 and 5.20 mills, respectively. On November 3, 1998, Wagoner County voters also approved such exemption.

Table 5 presents the historical net assessed valuation by county for the Broken Arrow Public School District from 1999 to 2008. Net assessed valuation increased 123.29 percent during the period shown or an average annual increase of 9.31 percent. The current assessment rates are 11 percent and 10 percent in Tulsa County for real and personal property, respectively. The current rates in Wagoner County are 11.2 percent for real property for the period shown and 12 percent for personal property purposes. The significant increase in Net Assessed Valuation in Wagoner County for Fiscal Year 2002-03 reflects the addition of the Calpine energy facility.

**Table 5**  
**Net Assessed Valuation by County**

| <u>Fiscal Year</u> | <u>Tulsa County</u> | <u>Wagoner County</u> | <u>Total NAV</u> | <u>Percent Change</u> |
|--------------------|---------------------|-----------------------|------------------|-----------------------|
| 2008-09            | \$407,927,441       | \$206,978,175         | \$614,905,616    | 7.27%                 |
| 2007-08            | 383,455,215         | 189,752,467           | 573,207,682      | 7.53                  |
| 2006-07            | 347,961,100         | 184,184,968           | 532,146,068      | 5.86                  |
| 2005-06            | 322,254,853         | 180,451,343           | 502,706,196      | 7.53                  |
| 2004-05            | 298,446,987         | 169,058,999           | 467,505,986      | 8.37                  |
| 2003-04            | 278,484,101         | 152,923,065           | 431,407,166      | 7.70                  |
| 2002-03            | 259,895,004         | 140,677,515           | 400,572,519      | 20.97                 |
| 2001-02            | 238,179,612         | 92,967,380            | 331,146,992      | 11.10                 |
| 2000-01            | 215,029,835         | 83,041,927            | 298,071,762      | 8.24                  |
| 1999-00            | 196,987,021         | 78,396,222            | 275,383,243      | 8.54                  |

Table 6 shows the trend of the School District's estimated actual market value. In the last ten years, actual market values have increased to over \$5.5 billion.

**Table 6**  
**Estimated Actual Market Valuation**

| <u>Fiscal Year</u> | <u>Actual Valuation</u> |
|--------------------|-------------------------|
| 2008-09            | \$5,592,219,497         |
| 2007-08            | 5,212,934,953           |
| 2006-07            | 4,839,025,682           |
| 2005-06            | 4,557,165,217           |
| 2004-05            | 4,058,856,000           |
| 2003-04            | 3,916,360,483           |
| 2002-03            | 3,624,345,292           |
| 2001-02            | 3,040,476,491           |
| 2000-01            | 2,764,557,801           |
| 1999-00            | 2,558,790,513           |

Table 7 shows the composition of total net assessed valuation by component in each county for Fiscal Year 2008-09.

**Table 7  
Composition of Net Assessed Valuation by County  
(Fiscal Year 2008-09)**

| <u>COMPONENT</u> | <u>Real Property*</u> | <u>Personal Property</u> | <u>Public Service</u> | <u>Total NAV</u>   | <u>Percent of Total</u> |
|------------------|-----------------------|--------------------------|-----------------------|--------------------|-------------------------|
| Tulsa County     | \$361,126,430         | \$24,816,846             | \$21,984,165          | \$407,927,441      | 66.34%                  |
| Wagoner County   | <u>161,591,144</u>    | <u>32,171,590</u>        | <u>13,215,441</u>     | <u>206,978,175</u> | <u>33.66%</u>           |
| TOTAL            | \$522,717,574         | \$56,988,436             | \$35,199,606          | \$614,905,616      | 100.00%                 |
| Percent of Total | 85.01%                | 9.27%                    | 5.72%                 | 100.00%            |                         |

\* Excludes homestead exemption allowance.

**Largest Ad Valorem Taxpayers.** The ten largest taxpayers in the District for Fiscal Year 2008-09 are shown in Table 8. As noted in Table 8, Calpine Corporation ("Calpine") is the largest taxpayer within the School District. For levy year 2008/09, Calpine's Net Assessed Valuation declined to \$25,664,736.

**Table 8  
Largest Ad Valorem Taxpayers  
(Based on Net Assessed Valuation)**

| <u>Name</u>                     | <u>Type of Business</u> | <u>NAV</u>       |
|---------------------------------|-------------------------|------------------|
| Calpine Corporation             | Energy Production       | \$25,664,736     |
| Public Service of Oklahoma      | Electric Utility        | 12,306,865       |
| Valor Comm of Oklahoma          | Telephone Utility       | 9,008,445        |
| Wal-Mart Stores                 | Retail Discount Store   | 5,869,392        |
| Oklahoma Natural Gas            | Gas Utility             | 4,459,084        |
| Cox Communications              | Communications          | 2,945,442        |
| Greens at Broken Arrow          | Apartment Complex       | 2,327,835        |
| Orix Battle Creek I LLC         | Real Estate             | 2,324,575        |
| MCI Telecommunications Services | Telephone Utility       | 1,925,607        |
| Roland Investments LTD          | Real Estate             | <u>1,707,628</u> |
| Totals                          |                         | \$68,539,609     |
| % of Total NAV*                 |                         | 11.15%           |

\* Based on 2008-09 Net Assessed Valuation of \$614,905,616.  
Source: Tulsa and Wagoner County Assessors

**Levy History.** Table 9 presents the historical ad valorem tax levies within the School District for taxpayers in the City of Broken Arrow for all taxing entities. Total tax levies have averaged 128.80 mills during the last ten years with the Fiscal Year 2008-09 levy at 129.63 mills.

**Table 9**  
**Historical Tax Levies\***  
**City of Broken Arrow**

| <u>Fiscal Year</u> | <u>Tulsa County</u> | <u>ISD No. 3</u> |                 |                | <u>Tulsa Jr. College</u> | <u>Tulsa Vo-Tech</u> | <u>City Sinking Fund</u> | <u>Total Levy</u> |
|--------------------|---------------------|------------------|-----------------|----------------|--------------------------|----------------------|--------------------------|-------------------|
|                    |                     | <u>General</u>   | <u>Building</u> | <u>Sinking</u> |                          |                      |                          |                   |
| 2008-09            | 22.21               | 36.40            | 5.20            | 29.56          | 7.21                     | 13.33                | 15.72                    | 129.63            |
| 2007-08            | 22.21               | 36.40            | 5.20            | 26.40          | 7.21                     | 13.33                | 15.30                    | 126.05            |
| 2006-07            | 22.21               | 36.40            | 5.20            | 26.00          | 7.21                     | 13.33                | 15.74                    | 126.09            |
| 2005-06            | 22.59               | 36.40            | 5.20            | 27.56          | 7.21                     | 13.33                | 15.06                    | 127.35            |
| 2004-05            | 22.61               | 36.40            | 5.20            | 27.23          | 7.21                     | 13.33                | 15.08                    | 127.06            |
| 2003-04            | 22.89               | 36.40            | 5.20            | 30.26          | 8.28                     | 13.33                | 12.89                    | 129.25            |
| 2002-03            | 23.83               | 36.40            | 5.20            | 25.57          | 8.31                     | 13.33                | 16.48                    | 129.12            |
| 2001-02            | 24.31               | 36.40            | 5.20            | 27.13          | 8.39                     | 13.33                | 16.30                    | 131.06            |
| 2000-01            | 23.93               | 36.40            | 5.20            | 29.10          | 8.70                     | 13.33                | 14.90                    | 131.56            |
| 1999-00            | 24.32               | 36.40            | 5.20            | 28.76          | 8.80                     | 13.33                | 14.00                    | 130.81            |
| <b>10-yr. avg.</b> |                     |                  |                 |                |                          |                      |                          | <b>128.80</b>     |

\* Shown as \$1/\$1000.

**Sinking Fund Tax Collection History.** Table 10 presents the dollar amount of ad valorem taxes levied for Sinking Fund purposes on both a net and gross basis. The School District has traditionally levied a five percent delinquency amount. Also shown are actual tax receipts on a current-year basis and for prior years aggregating to total collections. Table 11 indicates the percentage of collections compared to net and gross levy amounts.

**Table 10**  
**Sinking Fund Tax Collection History**

| <u>Fiscal Year</u> | <u>Taxes Levied</u> |                | <u>Taxes Collected</u> |              |
|--------------------|---------------------|----------------|------------------------|--------------|
|                    | <u>Net</u>          | <u>Gross</u> * | <u>Current</u>         | <u>Total</u> |
| 2007-08            | \$14,411,707        | \$15,132,293   | \$14,687,033           | \$15,009,798 |
| 2006-07            | 13,177,938          | 13,836,835     | 13,444,816             | 13,773,646   |
| 2005-06            | 13,195,734          | 13,855,520     | 13,531,887             | 13,790,535   |
| 2004-05            | 12,125,377          | 12,731,646     | 12,398,292             | 12,760,768   |
| 2003-04            | 12,430,763          | 13,052,302     | 12,735,434             | 13,018,556   |
| 2002-03            | 9,756,553           | 10,244,380     | 9,850,739              | 10,092,236   |
| 2001-02            | 8,556,955           | 8,984,804      | 8,572,405              | 8,755,886    |
| 2000-01            | 8,259,660           | 8,672,643      | 8,408,736              | 8,606,132    |
| 1999-00            | 7,543,329           | 7,920,496      | 7,592,444              | 7,777,285    |
| 1998-99            | 7,091,543           | 7,446,121      | 7,195,226              | 7,538,201    |

\* Reflects 5% over levy for delinquencies.

**Table 11  
Percentage of Sinking Fund Tax Collections**

| <u>Fiscal Year</u> | <u>Ratio of Current Tax Collections to Net Levy</u> | <u>Ratio of Total Tax Collections to Net Levy</u> | <u>Ratio of Current Tax Collections to Gross Levy</u> | <u>Ratio of Total Tax Collections to Gross Levy</u> |
|--------------------|---|---|---|---|
| 2007-08            | 101.91  | 104.15  | 97.06   | 99.19   |
| 2006-07            | 102.03  | 104.52  | 97.17   | 99.54   |
| 2005-06            | 102.55  | 104.51  | 97.66   | 99.53   |
| 2004-05            | 102.25  | 105.24  | 97.38   | 100.23  |
| 2003-04            | 102.45  | 104.73  | 97.57   | 99.74   |
| 2002-03            | 100.97  | 103.44  | 96.16   | 98.51   |
| 2001-02            | 100.18  | 102.32  | 95.41   | 97.45   |
| 2000-01            | 101.80  | 104.19  | 96.96   | 99.23   |
| 1999-00            | 100.65  | 103.10  | 95.86   | 98.19   |
| 1998-99            | 101.46  | 106.30  | 96.63   | 101.24  |

**INDEBTEDNESS**

**Payment Record**

The School District has no default of record on principal and interest payments of its general obligation bonded indebtedness.

**Existing Indebtedness**

As of January 26, 2009, the School District had eight (8) General Obligation Bond issues outstanding in the aggregate principal amount of \$62,275,000 as shown in Table 12.

**Table 12  
Summary of Existing General Obligation Bonds**

| <u>Issue Description</u>     | <u>Date of Bonds</u> | <u>Original Amount</u> | <u>Final Maturity</u> | <u>Average Interest Rate</u> | <u>Bonds Outstanding</u> |
|------------------------------|----------------------|------------------------|-----------------------|------------------------------|--------------------------|
| 2004A Combined Purpose Bonds | 5/1/04               | \$ 7,000,000           | 5/1/09                | 2.6602                       | \$ 1,750,000             |
| 2004B Building Bonds         | 11/1/04              | 10,800,000             | 11/1/14               | 3.2393                       | 7,200,000                |
| 2005A Combined Purpose Bonds | 4/1/05               | 8,000,000              | 4/1/10                | 3.1354                       | 4,000,000                |
| 2005B Building Bonds         | 11/1/05              | 7,000,000              | 11/1/15               | 3.8067                       | 5,450,000                |
| 2006 Combined Purpose Bonds  | 5/1/06               | 7,700,000              | 5/1/11                | 3.6143                       | 5,775,000                |
| 2007A Building Bonds         | 3/1/07               | 15,000,000             | 3/1/12                | 3.8360                       | 15,000,000               |
| 2007B Building Bonds         | 12/1/07              | 11,600,000             | 12/1/12               | 3.5668                       | 11,600,000               |
| 2008A Building Bonds         | 6/1/08               | <u>11,500,000</u>      | 6/1/13                | 3.1364                       | <u>11,500,000</u>        |
| Totals                       |                      | \$78,600,000           |                       |                              | \$62,275,000             |

**Authorized Indebtedness**

With the issuance of the 2009A Bonds, the District will have issued all authorized indebtedness from the December 2006 election. Table 13 presents the principal payments for all existing bonds and the 2009A Bonds.

**Table 13**  
**Principal Payments for Existing and 2009A Bonds**

| <u>ORIGINAL ISSUE</u>  |                     | <u>MATURITIES</u> |               | <u>Outstanding<br/>Balance</u> |
|------------------------|---------------------|-------------------|---------------|--------------------------------|
| <u>Date</u>            | <u>Amount</u>       | <u>Date</u>       | <u>Amount</u> |                                |
| 5/1/04                 | 7,000,000           | 5/1/09            | 1,750,000     | 1,750,000                      |
| 11/1/04                | 10,800,000          | 11/1/09-14        | 1,200,000     | 7,200,000                      |
| 4/1/05                 | 8,000,000           | 4/1/09-10         | 2,000,000     | 4,000,000                      |
| 11/1/05                | 7,000,000           | 11/1/09-14        | 775,000       |                                |
|                        |                     | 11/1/15           | 800,000       | 5,450,000                      |
| 5/1/06                 | 7,700,000           | 5/1/09-11         | 1,925,000     | 5,775,000                      |
| 3/1/07                 | 15,000,000          | 3/1/09-12         | 3,750,000     | 15,000,000                     |
| 12/1/07                | 11,600,000          | 12/1/09-12        | 2,900,000     | 11,600,000                     |
| 6/1/08                 | 11,500,000          | 6/1/10-13         | 2,875,000     | 11,500,000                     |
| 3/1/2009<br>(Proposed) | <u>10,000,000</u>   | 3/1/2011-14       | 2,500,000     | <u>10,000,000</u>              |
| <b>TOTALS</b>          | <b>\$88,600,000</b> |                   |               | <b>\$72,275,000</b>            |

The combined estimated principal and interest levy requirements for existing bonds and the 2009A Bonds for the next five fiscal years are shown in Table 14.

**Table 14**  
**Principal and Interest Levy Requirements**

| <u>Fiscal Year</u> | <u>Principal Levy</u> | <u>Interest Levy</u> * | <u>Total Levy</u> |
|--------------------|-----------------------|------------------------|-------------------|
| 2008/09            | 15,467,778            | 2,550,351              | 18,018,129        |
| 2009/10            | 16,567,778            | 2,177,074              | 18,744,852        |
| 2010/11            | 14,967,778            | 1,501,826              | 16,469,604        |
| 2011/12            | 9,677,778             | 805,766                | 10,483,544        |
| 2012/13            | 6,777,778             | 423,788                | 7,201,566         |

\* Assumes an average interest rate on 2009A Bonds of 2.68%

The following Table 15 presents the School District's compliance with constitutional limitations on net indebtedness as of January 26, 2009.

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**Table 15**  
**Statement of General Obligation Bonded Indebtedness**  
**(As of January 26, 2009)**

|   |                   |                     |
|---|-------------------|---------------------|
| 2008-09 Estimated Full Market Valuation                                       |                   | \$5,592,219,497     |
| 2008-09 Gross Assessed Valuation  |                   | \$636,621,456       |
| Real Property (excludes \$21,715,840 in homestead exemptions)                 | \$522,717,574     |                     |
| Personal Property   | 56,988,436        |                     |
| Public Service  | <u>35,199,606</u> |                     |
| 2008-09 Net Assessed Valuation  |                   | \$614,905,616       |
| Existing General Obligation Bonds   | \$62,275,000      |                     |
| 2009A Bonds   | <u>10,000,000</u> |                     |
| Total General Obligation Indebtedness   |                   | \$72,275,000        |
| Less Sinking Fund Balance (as of January 26, 2009)                            |                   | <u>(19,017,328)</u> |
| Net General Obligation Indebtedness   |                   | \$53,257,672        |
| Debt Limitation (10% of Net Assessed Valuation)                               |                   | \$61,490,561        |
| Excess Legal Debt Margin  |                   | \$8,232,889         |
| Ratio of Net General Obligation Indebtedness to Net Assessed Valuation        |                   | 8.66%               |
| Per Capita Net Indebtedness (based on 81,173 estimated population as of 2007) |                   | \$656.10            |

**Net Direct, Underlying and Overlapping General Obligation Bonded Indebtedness**

Direct, underlying and overlapping indebtedness within the School District includes debt of the District, City of Broken Arrow, City of Tulsa, City of Coweta, Tulsa Community College, Tulsa Vo-Tech #18, Tulsa County and Wagoner County as shown in Table 16. The aggregate net indebtedness directly, underlying and overlapping the School District is \$104,001,762, which includes the 2009A Bonds.

**Table 16**  
**Direct, Underlying and Overlapping Indebtedness**

| <u>Governmental Entity</u>        | <u>Net Indebtedness</u> | <u>Estimated % Applicable to the District<sup>1</sup></u> | <u>Overlapping Debt Applicable to the District</u> | <u>Per Capita Debt</u> |
|-----------------------------------|-------------------------|---|--|------------------------|
| ISD No. 3 <sup>2</sup>            | \$ 53,257,672           | 100.00%   | \$53,257,672                                       | \$ 656.10              |
| City of Broken Arrow <sup>2</sup> | 64,438,322              | 75.40   | 48,586,495   | 598.55                 |
| City of Tulsa <sup>3</sup>        | 300,954,624             | 0.68  | 2,046,491  | 25.21                  |
| City of Coweta <sup>3</sup>       | 214,312                 | 48.22   | 103,341  | 1.27                   |
| Tulsa Community College           | -                       | 8.90  | -  | -                      |
| Tulsa Vo-Tech #18                 | -                       | 12.15   | -  | -                      |
| Tulsa County <sup>3</sup>         | 87,220                  | 8.90  | 7,763  | 0.10                   |
| Wagoner County                    | <u>-</u>                | 55.04   | <u>-</u>   | <u>-</u>               |
| Total                             | \$418,952,150           |   | \$104,001,762                                      | \$1,281.23             |

<sup>1</sup> Determined by ratio of net assessed valuation of property subject to taxation in underlying and overlapping unit to valuation of property subject to taxation in the Broken Arrow School District. Based on 2008-09 valuations.

<sup>2</sup> As of January 26, 2009.

<sup>3</sup> As of June 30, 2008.

## Future Financing Plans

Upon issuance of the 2009A Bonds, the District will have issued all bonds authorized by the December 12, 2006 election. The next election is projected for the fall of 2009.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population

Table 17 presents historical population for the City of Broken Arrow, City of Tulsa, Tulsa County and Wagoner County. The area's population, particularly in Broken Arrow, increased significantly in the period 1980 to 2000, with steady growth projected in the future.

**Table 17**  
**Historical Population**

| <u>Year</u> | <u>City of<br/>Broken Arrow</u> | <u>City of<br/>Tulsa</u> | <u>Tulsa<br/>County</u> | <u>Wagoner<br/>County</u> |
|-------------|---------------------------------|--------------------------|-------------------------|---------------------------|
| 1960        | 5,928                           | 261,685                  | 346,038                 | 15,673                    |
| 1970        | 11,018                          | 330,350                  | 399,982                 | 22,163                    |
| 1980        | 35,761                          | 360,919                  | 470,593                 | 41,801                    |
| 1990        | 58,043                          | 367,302                  | 503,341                 | 47,883                    |
| 2000        | 74,859                          | 393,049                  | 563,299                 | 57,491                    |

Source: Oklahoma Department of Commerce

### Per Capita Income

Historical per capita income figures for Tulsa County, Wagoner County and the State of Oklahoma are shown in Table 18. Income levels in the Tulsa area have traditionally exceeded state averages. Median Household Income (MHI) in 2007 for the City of Broken Arrow was \$63,531 compared to the State MHI of \$41,567.

**Table 18**  
**Area Per Capita Income**

| <u>Year</u> | <u>Tulsa<br/>County</u> | <u>Wagoner<br/>County</u> | <u>State of<br/>Oklahoma</u> |
|-------------|-------------------------|---------------------------|------------------------------|
| 2006        | \$44,321                | \$26,952                  | \$32,391                     |
| 2005        | 40,628                  | 25,291                    | 30,107                       |
| 2004        | 38,170                  | 23,485                    | 28,444                       |
| 2003        | 34,789                  | 22,059                    | 26,457                       |
| 2002        | 34,653                  | 22,164                    | 25,872                       |
| 2001        | 36,198                  | 22,232                    | 26,022                       |
| 2000        | 33,109                  | 21,151                    | 24,409                       |

Source: Bureau of Economic Analysis, U.S. Department of Commerce

### Employment Data

The number of persons in the Tulsa County labor force and number employed for the years 1998 through 2007 are shown in Table 19. Also, shown is the county unemployment rate compared to state and national averages for the same period.

**Table 19**  
**Employment Statistics**

| <u>Year</u> | <u>Labor Force</u> | <u>Number Employed</u> | <u>Unemployment Rate</u> |                    |             |
|-------------|--------------------|------------------------|--------------------------|--------------------|-------------|
|             |                    |                        | <u>Tulsa County</u>      | <u>State of OK</u> | <u>U.S.</u> |
| 2007        | 299,976            | 288,032                | 4.0%                     | 4.3%               | 4.6%        |
| 2006        | 298,911            | 287,788                | 3.7                      | 4.0                | 4.6         |
| 2005        | 293,813            | 281,769                | 4.1                      | 4.4                | 5.1         |
| 2004        | 291,660            | 277,340                | 4.9                      | 5.0                | 5.5         |
| 2003        | 295,144            | 277,516                | 6.0                      | 5.5                | 6.0         |
| 2002        | 298,885            | 284,051                | 5.0                      | 4.8                | 5.8         |
| 2001        | 298,019            | 288,042                | 3.3                      | 3.7                | 4.7         |
| 2000        | 296,841            | 288,422                | 2.8                      | 3.1                | 4.0         |
| 1999        | 300,587            | 290,421                | 3.4                      | 3.6                | 4.2         |
| 1998        | 298,793            | 289,163                | 3.2                      | 4.4                | 4.5         |

Source: Oklahoma Employment Security Commission

**Major Employers**

The area's largest employers are shown in Table 20.

**Table 20**  
**Broken Arrow Area Major Employers**

| <u>NAME OF EMPLOYER</u>     | <u>TYPE OF BUSINESS</u>               | <u>NO. OF EMPLOYEES</u> |
|-----------------------------|---------------------------------------|-------------------------|
| Broken Arrow Public Schools | Education                             | 2,021                   |
| Wal-Mart (3)                | Retail Store                          | 1,323                   |
| City of Broken Arrow        | Municipal Government                  | 775                     |
| Gatesway Foundation         | Developmental Disabilities            | 700                     |
| Flight Safety International | Flight Simulators                     | 650                     |
| St. Francis at Broken Arrow | Medical Services Facility             | 450                     |
| Oxford HealthCare           | Healthcare Services                   | 400                     |
| MicahTek, Inc.              | Computer Services/Inbound Call Center | 375                     |
| Baker Oil Tools             | Oil and Gas Well Safety Valves        | 340                     |
| Reasor's Supermarket (2)    | Retail Store                          | 325                     |
| Kenneth Hagin Ministries    | Rhema Bible Training                  | 300                     |
| Hanover Company             | Natural Gas Compressors               | 300                     |

Source: Broken Arrow Chamber of Commerce

**Sales Tax Collections**

The City levies a three percent (3%) local sales tax, which together with the State sales tax of four and one-half percent (4½%) places the total City and State sales tax rate at seven and one-half percent (7½%). Wagoner County levies a 1.30% sales tax, which makes the total sales tax for Broken Arrow overlying Wagoner County 8.80%. Tulsa County levies a 1.017%, bringing the total sales tax rate overlying Tulsa County to 8.517%. Historical sales tax collections for the City are shown in Table 21.

**Table 21**  
**Sales Tax Collections**

| <u>Fiscal Year</u> | <u>Total Collections*</u> | <u>1-Cent Generated</u> | <u>% Change</u> |
|--------------------|---------------------------|-------------------------|-----------------|
| 2008               | 29,031,343                | 9,677,114               | 3.01%           |
| 2007               | 28,184,086                | 9,394,695               | 4.86            |
| 2006               | 26,877,567                | 8,959,189               | 12.31           |
| 2005               | 26,889,134                | 7,976,875               | 8.95            |
| 2004               | 25,625,087                | 7,321,453               | 7.84            |
| 2003               | 23,761,249                | 6,788,928               | 3.36            |
| 2002               | 22,885,923                | 6,538,835               | 3.01            |
| 2001               | 22,197,700                | 6,342,200               | 7.98            |
| 2000               | 20,558,003                | 5,873,715               | 9.65            |
| 1999               | 16,959,370                | 5,357,303               | ---             |

\* Fiscal Year 1999 reflects 8 months at 3% and 4 months at 3½ %, Fiscal Years 2000 through 2004 reflects full 3½ %, FY 2005 reflects 9 months at 3½ % and 3 months at 3% and FY 2006 through FY 2008 reflects 3%.

Source: Oklahoma Tax Commission

**Bank Deposits**

Table 22 presents the total bank deposits for the City's three local banks for the years 2000 through 2007. Deposits for 1998 through 1999 reflect two local banks.

**Table 22**  
**Bank Deposits**

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2007        | 466,897,000   |
| 2006        | 446,349,000   |
| 2005        | 422,254,000   |
| 2004        | 355,020,000   |
| 2003        | 331,188,000   |
| 2002        | 330,794,000   |
| 2001        | 333,046,000   |
| 2000        | 317,262,000   |
| 1999        | 280,668,000   |
| 1998        | 272,899,000   |

Source: Oklahoma Banker's Association

## Retail Sales

Table 23 presents historical retail sales data for the City of Broken Arrow. Data shown is not seasonally adjusted and is presented on a calendar year basis.

**Table 23**  
**Retail Sales**  
**(000)**

| <u>YEAR</u> | <u>AMOUNT</u> |
|-------------|---------------|
| 2007        | 757,085       |
| 2006        | 734,343       |
| 2005        | 661,125       |
| 2004        | 599,935       |
| 2003        | 553,030       |
| 2002        | 516,067       |
| 2001        | 487,320       |
| 2000        | 460,591       |
| 1999        | 429,525       |
| 1998        | 378,282       |

Source: University of Oklahoma, Center for Economic and Management Research

## RATINGS

A rating on the Bonds has been applied for from Moody's Investors Service, Inc., and Standard & Poor's Corporation. If assigned, a rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agencies directly.

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of Hilborne & Weidman, A Professional Corporation, Tulsa, Oklahoma, Bond Counsel to the School District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the School District and others, in connection with the Bonds, and Bond Counsel has assumed compliance by the School District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Bond Counsel has rendered its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update their opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

## **State of Oklahoma Tax Exemption**

Pursuant to Title 68 of the Oklahoma Statutes 2001, Section 2358.5, interest on the Bonds is exempt from Oklahoma income taxation.

## **Financial Institutions**

The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986 (other than "qualified tax-exempt obligations"). **The Bonds will not be designated as "qualified tax-exempt obligations" for this purpose.**

## **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The School District has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

## **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds. Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

## **Original Issue Discount**

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. For any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### **Bond Premium**

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Information Reporting and Backup Withholding**

Information reporting requirements will apply to interest paid after March 31, 2007 on tax-exempt obligations, including the 2009A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2009A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2009A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2009A Bonds under federal or state law and could affect the market price or marketability of the 2009A Bonds.

Prospective purchasers of the 2009A Bonds should consult their own tax advisors regarding the foregoing matters.

## **UNDERWRITING**

The Bonds are to be sold at public sale on February 9, 2009. The Bonds were purchased by \_\_\_\_\_ (the "Purchaser") at a true interest cost of \_\_\_\_\_%. The Purchase Contract provides that the Purchaser will not be obligated to purchase any Bonds if all such Bonds are not available for purchase. The Purchaser may offer to sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Purchaser.

## **FINANCIAL ADVISOR**

Municipal Finance Services, Inc. is employed as Financial Advisor to the School District in connection with the issuance of the 2009A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Municipal Finance Services, Inc. in its capacity as Financial Advisor has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

## **FINANCIAL STATEMENTS**

The audited financial statements of the School District as of June 30, 2007 are available from the School District or the Financial Advisor.

## **CLOSING DOCUMENTS**

Simultaneously with the delivery of and payment for the Bonds by the original purchasers thereof, the School District will furnish to the original purchasers the customary documents in form satisfactory to Bond Counsel.

## **PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL**

The School District hereby deems this Preliminary Official Statement pursuant to Securities and Exchange Commission Rule 15c2-12 as final as of its date except for the omission of information dependent on the pricing of the issue and the completion of the underwriting agreement, such as offering prices, interest rates, selling compensation, aggregate principal amount, delivery dates, and other terms of the securities dependent on the foregoing matters.

## **CERTIFICATIONS**

The School District will furnish a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made not misleading.



## EXHIBIT A

### SUMMARY OF CONTINUING DISCLOSURE CERTIFICATE

The Continuing Disclosure Certificate (the "Certificate" or "Disclosure Certificate") is being executed and delivered by the Independent School District No. 3 of Tulsa County, Oklahoma (the "Issuer") in connection with the issuance of \$10,000,000 Combined Purpose Bonds, Series 2009A ("Bonds"), issued pursuant to a Resolution of the Issuer dated February 9, 2009 (the "Resolution"). Capitalized terms used in the Disclosure Certificate which are not otherwise defined in the Bond Resolution shall have the respective meanings specified below or in Section 2 of the Disclosure Certificate. The Issuer hereby agrees as follows:

**Purpose.** The Disclosure Certificate shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Underwriters in complying with the Rule, as defined herein.

**Definitions.** The following capitalized terms shall have the following meanings:

**"Annual Report"** shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

**"Audited Financial Statements"** shall mean the Issuer's annual financial statements, prepared in conformity with generally accepted accounting principles ("GAAP") for local governmental units as promulgated by the Governmental Accounting Standards Board ("GASB"), which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State; provided however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to each NRMSIR and the SID, if any, and shall include a reference to the specific federal or state law or regulation describing such accounting basis.

**"Dissemination Agent"** shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

**"Listed Events"** shall mean any of the events listed in Section 5(a) of the Certificate.

**"NRMSIR"** means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this document are Bloomberg Municipal Repository, DPC Data Inc., Interactive Data and Standard & Poor's Securities Evaluations, Inc. (Filing information relating to such NRMSIRs is listed at the end of this Summary.)

**"Participating Underwriter"** shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

**"Repository"** shall mean each National Repository and each State Repository.

**"Rule"** shall mean rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**"State"** shall mean the State of Oklahoma.

**"State Repository"** shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of the Disclosure Certificate, there is no State Repository.

**"Underwriters"** shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

**Provision of Annual Reports.** The Issuer shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of its fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). 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 the Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

If the Issuer is unable to provide to the Repositories an Annual Report by the date required in the above paragraph, the Issuer shall send a notice to each Repository.

**Content of Annual Reports.** The Issuer's Annual Report shall contain or incorporate by reference the financial information or operating data with respect to the Issuer included in the Final Official Statement under the headings "**FINANCIAL INFORMATION**" and "**INDEBTEDNESS**". If Audited Financial Statements are not available by the time the Annual Report must be provided, unaudited financial statements will be provided as part of the Annual Report and Audited Financial Statements will be provided, when and if available, to each Repository.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

**Reporting of Significant Events.**

(a) This Section shall govern the giving of notices of the occurrence of any of the following events:

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. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities; and
11. Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall take the actions specified in subsection (c) hereof.

(c) The Issuer shall in a timely manner file a notice of the occurrence of a Listed Event with the Municipal Securities Rulemaking Board and each State Repository, if material. Provided, that any event under subsections (a)(8), (9) or (11) will always be material. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Bond Resolution.

**Termination of Reporting Obligation.** The Issuer's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

**Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Issuer.

**Amendment.** Notwithstanding any other provision of the Disclosure Certificate, the Issuer may amend the Disclosure Certificate if such amendment meets the following conditions: (a) the amendment is 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 the Issuer, or type of business conducted; (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (c) the amendment does not materially impair the interests of the holders, as determined by parties affiliated with the Issuer (such as Paying Agent or Bond Counsel) and (d) the annual

financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Furthermore, if an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. A notice of the change in the accounting principles shall be sent to each NRMSIRs and the SID, if any.

**Additional Information.** Nothing in the Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Default.** In the event of a failure of the Issuer to comply with any provision of the Disclosure Certificate any bondholder, including beneficial owners, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default under the Bond Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the Issuer to comply with the Disclosure Certificate shall be an action to compel performance.

**Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Certificate, and the Issuer agrees to indemnify and save 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 thereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Beneficiaries.** The Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Underwriters and owners from time to time of the Bonds, including beneficial owners, and shall create no rights in any other person or entity.

**Previous Undertaking.** The Issuer has not defaulted or failed to disclose any continuing disclosure obligations or events on any other undertaking under the S.E.C. Rule 15c2-12(b).

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Filing information relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission (subject to change):

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, New Jersey 08558-2693  
Telephone: (609) 279-3225  
Fax: (609) 279-5962  
Email: Munis@Bloomberg.com

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street, 45th floor  
New York, New York 10041-0003  
Telephone: (212) 438-4595  
Fax: (212) 438-3975  
Email: nrmsir\_repository@sandp.com

Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, New York 10038-4561  
Telephone: (212) 771-6999; 800-689-8466  
Fax: (212) 771-7390  
Email: Nrmsir@interactivedata.com

DPC Data Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024-3388  
Telephone: (201) 346-0701  
Fax: (201) 947-0107  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

## EXHIBIT B

**HILBORNE & WEIDMAN**  
A PROFESSIONAL CORPORATION  
ATTORNEYS AND COUNSELORS  
2405 EAST 57TH STREET  
TULSA, OKLAHOMA 74105-7548

TELEPHONE:  
(918) 749-0111  
TELECOPIER:  
(918) 749-0335

We have examined into the validity of "Combined Purpose Bonds, Series 2009A" (the "Bonds") of Independent School District No.3 of Tulsa County, Oklahoma (the "School District"), in the principal amount of \$10,000,000.00, dated March 1, 2009. The Bonds are due serially on March 1, in each of the years 2011 to 2014, inclusive, bear interest from date until paid, payable on the 1st day of March and September of each year, beginning March 1, 2010 at the following annual rates: \$2,500,000 due March 1, 2011: \_\_\_\_%; \$2,500,000 due March 1, 2012: \_\_\_\_%; \$2,500,000 due March 1, 2013: \_\_\_\_%; \$2,500,000 due March 1, 2014: \_\_\_\_%.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto.

We have examined (a) originals or certified copies of the proceedings relating to the issuance of the Bonds as contained in a Transcript of Proceedings had in connection therewith, and (b) an executed Bond of said issue with the Certificate of the Attorney General as Bond Commissioner of the State of Oklahoma, required by Title 62, Oklahoma Statutes 2001, Sections 13 and 14, thereon. In addition, we have examined such other documents and instruments as we have deemed necessary to express the opinions hereinafter set forth. As to questions of fact material to our opinion we have relied upon the Transcript of Proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the School District.
2. All taxable property in the School District will be subject to annual levies of ad valorem taxes, without limitation as to rate or amount, to provide money sufficient to pay the interest on the Bonds as it falls due and to constitute a sinking fund for the payment of the principal thereof as it becomes due.
3. The interest on the Bonds is excluded from gross income for federal income tax purposes and 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 the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.
4. Interest on the Bonds is exempt from Oklahoma income taxation.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Hilborne & Weidman,  
A Professional Corporation