

NEW ISSUE – Book Entry Only

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

*In the opinion of Bond Counsel to the City, 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 City as "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Code. See "Tax Matters" herein.*

**CITY OF BROKEN ARROW, OKLAHOMA**

**\$1,000,000**

**GENERAL OBLIGATION BONDS, SERIES 2009A**

**and**

**\$11,400,000**

**GENERAL OBLIGATION BONDS, SERIES 2009B**

**DATED: March 1, 2009**

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

The \$1,000,000 General Obligation Bonds, Series 2009A and \$11,400,000 General Obligation Bonds, Series 2009B (collectively, the "2009 Bonds" or the "Bonds") will be issued as separate issues, 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 2009 Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through DTC participants. Purchases of the 2009 Bonds may be made in the denomination of \$1,000 or multiples thereof. Beneficial owners of the 2009 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 2009 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 2009A Bonds are not subject to redemption prior to maturity. The 2009B Bonds are subject to redemption prior to maturity.** (See "DESCRIPTION OF THE BONDS—Redemption Provisions" herein.)

The Bonds constitute direct and general obligations of the City of Broken Arrow, 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 City, excepting homestead exemptions, as prescribed in Article X, Section 27, of the Constitution of the State of Oklahoma. The 2009A Bonds are to be issued pursuant to an election held May 11, 2004, at which the qualified electors of the City approved an aggregate amount of \$53,375,000 in general obligation bonds for various capital improvements. Proceeds from the 2009A Bonds will be utilized for Public Safety (\$1,000,000). The 2009B Bonds are to be issued pursuant to an election held December 9, 2008, at which the qualified electors of the City approved an aggregate amount of \$38,475,000 in general obligation bonds for various capital improvements. Proceeds from the 2009B Bonds will be utilized for the following purposes and amounts: Streets (\$2,900,000), Public Safety (\$2,100,000), Parks and Recreation (\$4,600,000) and Stormwater (\$1,800,000). See "DESCRIPTION OF THE BONDS--Purpose of the Bonds" herein.

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**MATURITY SCHEDULE – see inside cover**

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The 2009 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 the Kiser Law Firm, PLLC, Edmond, Oklahoma, Bond Counsel. It is expected that the Bonds will be available for delivery to the original purchaser on or about March 26, 2009.

FINANCIAL ADVISOR

**MUNICIPAL FINANCE SERVICES, INC.**

Edmond, Oklahoma

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

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 jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification thereof under the laws of such jurisdiction.

## MATURITY SCHEDULES

### \$1,000,000 GENERAL OBLIGATION BONDS, SERIES 2009A

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

### \$11,400,000 GENERAL OBLIGATION BONDS, SERIES 2009B

| <u>Due<br/>March 1</u> | <u>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield/<br/>Price</u> | <u>Cusip</u> * | <u>Due<br/>March 1</u> | <u>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield/<br/>Price</u> | <u>Cusip</u> * |
|------------------------|---------------|--------------------------|-------------------------|----------------|------------------------|---------------|--------------------------|-------------------------|----------------|
| 2011                   | 810,000       |                          |                         |                | 2018                   | 810,000       |                          |                         |                |
| 2012                   | 810,000       |                          |                         |                | 2019                   | 810,000       |                          |                         |                |
| 2013                   | 810,000       |                          |                         |                | 2020                   | 810,000       |                          |                         |                |
| 2014                   | 810,000       |                          |                         |                | 2021                   | 810,000       |                          |                         |                |
| 2015                   | 810,000       |                          |                         |                | 2022                   | 810,000       |                          |                         |                |
| 2016                   | 810,000       |                          |                         |                | 2023                   | 810,000       |                          |                         |                |
| 2017                   | 810,000       |                          |                         |                | 2024                   | 870,000       |                          |                         |                |

\* 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 City nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

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 representatives 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. Furthermore, the City and the Purchaser of the Bonds do 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.

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. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibility to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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 purchaser of the Bonds.

For purposes of compliance with Rule 15c2-12(b)(1) of the Securities and Exchange Commission, this Preliminary Official Statement is deemed final as of the date hereof; however, it is subject to revision, amendment and completion as a Final Official Statement.

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**CITY OF BROKEN ARROW, OKLAHOMA**

**MAYOR AND CITY COUNCIL**

| <b><u>Name</u></b>   | <b><u>Position</u></b> |
|----------------------|------------------------|
| J. Wade McCaleb, Sr. | Mayor                  |
| Mike Lester          | Vice-Mayor             |
| Richard Carter       | Councilmember          |
| Craig Thurmond       | Councilmember          |
| Philip Tucker        | Councilmember          |

**ADMINISTRATION**

| <b><u>Name</u></b>        | <b><u>Position</u></b>     |
|---------------------------|----------------------------|
| James M. Twombly          | City Manager               |
| Mary E. Bryce             | City Clerk                 |
| Thomas L. Caldwell        | Finance Director/Treasurer |
| Beth Anne Wilkening, Esq. | City Attorney              |

**FINANCIAL ADVISOR**

Municipal Finance Services, Inc.  
Edmond, Oklahoma

**BOND COUNSEL**

Kiser Law Firm, PLLC  
Edmond, Oklahoma

## SUMMARY STATEMENT

*The following information is furnished solely to provide limited introductory information regarding the City of Broken Arrow, Oklahoma, (the "City") \$1,000,000 General Obligation Bonds, Series 2009A and \$11,400,000 General Obligation Bonds, Series 2009B (collectively "the 2009 Bonds" or the "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:                | City of Broken Arrow, Oklahoma  |
| Security:              | The Bonds constitute direct and general obligations of the City, 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 City, excepting homestead exemptions, as prescribed in Article X, Section 27, of the Constitution of the State of Oklahoma.   |
| Purposes:              | The 2009A Bonds represent the fifth series of bonds to be issued pursuant to an election held May 11, 2004, at which the qualified electors of the City approved an aggregate amount of \$53,375,000 in general obligation bonds for various capital improvements. Proceeds from the 2009A Bonds will be utilized for Public Safety (\$1,000,000). The 2009B Bonds represent the first series of bonds to be issued pursuant to an election held December 9, 2008, at which the qualified electors of the City approved an aggregate amount of \$38,475,000 in general obligation bonds for various capital improvements. Proceeds from the 2009B Bonds will be utilized for the following purposes and amounts: Streets (\$2,900,000), Public Safety (\$2,100,000), Parks and Recreation (\$4,600,000) and Stormwater (\$1,800,000).   |
| Redemption Provisions: | The 2009A Bonds are <u>not</u> subject to optional redemption prior to maturity. The 2009B Bonds are subject to optional redemption prior to maturity at the option of the City on any date on or after March 1, 2019, at par plus accrued interest to the date of redemption upon thirty (30) days' notice as provided herein.   |
| Denominations:         | \$1,000 or multiples thereof.   |
| Record Date:           | The 15th day of the month preceding the 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 City, 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 existing laws, interest on the Bonds is exempt from Oklahoma income taxation. <b>The Bonds will <u>not</u> be designated by the City as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. See "TAX MATTERS" herein.</b> |

Professional Consultants:

*Financial Advisor:* Municipal Finance Services, Inc.  
Edmond, Oklahoma

*Bond Counsel:* Kiser Law Firm, PLLC  
Edmond, Oklahoma

*Paying Agent/  
Registrar:* Bank of Oklahoma, National Association  
Tulsa, Oklahoma

Legal Matters:

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of the Attorney General of the State of Oklahoma and the Kiser Law Firm, PLLC, Edmond, Oklahoma, Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement except for certain information under the headings "TAX MATTERS - Certain Collateral Federal Tax Consequences" and "CONTINUING DISCLOSURE."

Authority for Issuance:

The Bonds are issued under the provisions of Article X, Section 27, of the Constitution of the State of Oklahoma, as amended, and laws of the State of Oklahoma supplementary thereto, including without limitation, Title 62, Oklahoma Statutes 2001, Sections 353 and 354, as amended. The 2009A Bonds were authorized at an election on May 11, 2004. The 2009B Bonds were authorized at an election on December 9, 2008.

Conditions Affecting Issuance  
of the Bonds:

The Bonds are offered when, as and if issued, subject to the approving certificate of the Attorney General of the State of Oklahoma and the legal opinion of the Kiser Law Firm, PLLC, Edmond, Oklahoma, Bond Counsel.

Delivery:

Expected on or about March 26, 2009, in New York, New York, through the Depository Trust Company (DTC), payable in immediately available funds.

Limitations on Transfer  
of Securities:

No dealer, broker, salesman or other person has been authorized by the City, the Financial Advisor or the Purchaser to give any information or to make any representations other than those contained in this Preliminary Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the City or the Financial Advisor.

Limitations on Offering or  
Reoffering Securities:

This Preliminary 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 City officials, threatened, which questions the validity of the Bonds or of any proceedings of the City taken with respect to the issuance or sale thereof.

Questions regarding the Bonds or the Official Statement can be directed to and additional copies of the Official Statement and the City's audited financial reports may be obtained from Municipal Finance Services, Inc., 3325 French Park Drive, Suite 8, Edmond, Oklahoma 73034, (405/340-1727), the City's Financial Advisor, or Mr. Thomas L. Caldwell, Finance Director/Treasurer, City of Broken Arrow, 220 South First Street, Broken Arrow, Oklahoma 74012, (918/259-2400 ext. 5411).

**OFFICIAL STATEMENT**  
**relating to**  
**CITY OF BROKEN ARROW, OKLAHOMA**  
  
**\$1,000,000**  
**GENERAL OBLIGATION BONDS, SERIES 2009A**  
  
**and**  
**\$11,400,000**  
**GENERAL OBLIGATION BONDS, SERIES 2009B**

**INTRODUCTION**

This Official Statement, including the cover page and Exhibits hereto, is being provided by the City of Broken Arrow, Oklahoma (the "City"), in connection with the issuance of its \$1,000,000 General Obligation Bonds, Series 2009A and its \$11,400,000 General Obligation Bonds, Series 2009B, both 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 27, of the Constitution of Oklahoma and Title 62, Oklahoma Statutes 2001, Sections 353 and 354 and laws supplementary and amendatory thereto.

**DESCRIPTION OF THE BONDS**

**The Bonds**

The Bonds are dated March 1, 2009, and are issuable in fully registered form without coupons in denominations of \$1,000 or multiples thereof. The Bonds will mature March 1 of the year and in the principal amounts and interest rates shown on the inside 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 2009A Bonds are **not** subject to redemption prior to maturity.

The 2009B Bonds maturing in the years 2011 to 2019, inclusive, shall not be subject to redemption prior to maturity. Bonds maturing in the years 2020 and thereafter shall be subject to redemption at the option of the City Council, in whole or in part, on any date, but upon thirty (30) days' notice, on or after March 1, 2019, at a price of par plus accrued interest on the principal amount called for redemption to the date fixed for redemption.

In the event any of the Bonds or portions thereof (which shall be \$1,000 or multiples thereof) are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Paying Agent-Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. All Bonds so called for redemption will cease to bear interest after the specified redemption date provided funds for their redemption are on deposit at the place of payment at that time.

## **Book-Entry System**

*The following description of the procedures and record-keeping with respect to beneficial ownership interests in the 2009 Bonds, payment of principal of, and premium, if any, and interest and other payments with respect to the 2009 Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such 2009 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 City 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 2009 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 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2009 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 2009 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 2009 Bonds, except in the event that use of the book-entry system for the 2009 Bonds is discontinued.

To facilitate subsequent transfers, all 2009 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 2009 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 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2009 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 2009 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 2009 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 2009 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 City, 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 2009 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 Ordinance.

If the City would like to discontinue the use of the system of book-entry transfers of a series of the 2009 Bonds issued by it through DTC (or a successor securities depository), the applicable Agency 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 Agency 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 Agency.

THE CITY, 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 2009 BONDS (i) PAYMENTS OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE 2009 BONDS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2009 BONDS OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE 2009 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 CITY, 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 2009 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 CITY, THE PARTICIPANTS AND THE PAYING AGENT/REGISTRARS SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO (i) ANY OWNERSHIP INTEREST IN THE 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 2009 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 ORDINANCE; (iv) THE SELECTION BY DTC OR ANY PARTICIPANTS OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2009 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 2009 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2009 BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2009 BONDS.

**Transfer Fees.** For every transfer and exchange of 2009 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 2009 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 2009 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 Ordinance will be given only to DTC.

## **Interest Computation**

Interest on the 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.

## **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 27, of the Constitution of the State of Oklahoma and Title 62 of the Oklahoma Statutes 2001, Sections 353 and 354, as amended, and an Ordinance of the City Council to be adopted on February 17, 2009.

### **2009A Bonds**

The 2009A Bonds were approved by the qualified electors of the City at an election held on May 11, 2004. Four propositions were submitted to the voters at the election: Proposition 1 - \$27,375,000 for streets; Proposition 2 - \$12,770,000 for public safety; Proposition 3 - \$5,155,000 for parks and recreation projects; Proposition 4 - \$8,075,000 for public buildings.

At a subsequent election on September 13, 2005, voters amended the purpose of one of the projects approved at the May 11, 2004 election, pertaining to Proposition No. 2. The original project presented to voters included the construction of a new emergency operation center with a new fire station to be located in south central Broken Arrow. At the subsequent election, voters authorized the construction of the emergency operation center and fire station as separate buildings to be located at the discretion of the City Council.

At a subsequent election on December 9, 2008, voters amended the purpose of the two projects approved previously at the aforementioned elections under the following propositions:

#### *Proposition 1*

\$2,500,000 of bonds approved by voters at the May 11, 2004 election for the purpose of acquiring, constructing, equipping and furnishing of a new fire station in the southwest quadrant of the City will now be applied instead to the purpose of constructing, equipping and furnishing a Fire Department Training Tower, a Police Department Shoot House, and acquiring a new Public Safety Driving Simulator, all to be located at the City Public Safety Training Center.

#### *Proposition 2*

\$3,500,000 of bonds approved by voters at the May 11, 2004 election for the purpose of acquiring, constructing, equipping and furnishing of a new emergency operations center (EOC), including a new fire station, and changed by the voters at the September 13, 2005 election, separating the EOC from a new fire station, will now be applied instead to the purpose of acquiring, constructing, equipping and furnishing a new fire station to replace an existing fire station and to be located in central Broken Arrow.

### **2009B Bonds**

The 2009B Bonds were approved by the qualified electors of the City at an election held on December 9, 2008. Four propositions were submitted to the voters at the election: Proposition 1 - \$15,335,000 for streets; Proposition 2 - \$7,100,000 for public safety; Proposition 3 - \$12,740,000 for parks and recreation projects; Proposition 4 - \$3,300,000 for stormwater.

## **Purpose of the Bonds**

### **2009A Bonds**

Proceeds from the 2009A Bonds will be utilized to provide funds for various capital projects as approved by voters at the election on December 9, 2008 which amended prior 2004 and 2005 election propositions.

#### *Proposition No. 1 (Public Safety - \$1,000,000)*

Public Safety projects include initial funding of construction, equipping and furnishing of a Fire Department Training Tower and a Police Department Shoot House.

### **2009B Bonds**

Proceeds from the 2009B Bonds will be utilized to provide funds for various capital projects as approved by voters at the election on December 9, 2008

#### *Proposition No. 1 (Streets - \$2,900,000)*

Street improvements include engineering, right of way, acquisition and construction to enhance traffic flow and reduce congestion to include, but not limited to the following streets:

- Reconstruction of a portion of Old Town Streets (Engineering)
- Resurface two lanes of roadway in the Stacy Lynn 5 Subdivision
- Resurface two lanes of roadway in the Sunrise Estates Subdivision

#### *Proposition No. 2 (Public Safety - \$2,100,000)*

Public Safety projects include:

- Animal Shelter Design
- Mobile Data System for Public Safety
- Acquisition and equipping of new Fire Engine

#### *Proposition No. 3 (Parks and Recreation - \$4,600,000)*

Parks and Recreation projects include:

- Outdoor Events Park – East side of Broken Arrow
- Baseball and Soccer Field Lighting
- Ray Harrell Park Improvements

#### *Proposition No. 4 (Stormwater - \$1,800,000)*

Stormwater projects include:

- Channelization of the floodway – Adams Creek/Drainage Improvements – Broken Arrow Expressway to Greens at Broken Arrow Golf Course
- Clearing Haikey Creek West Branch floodway – Kenosha to Houston, including constructing detention facilities, performing channelization and other drainage improvements
- Drainage study of east branch of Adams Creek – 23<sup>rd</sup> Street to 80<sup>th</sup> Street
- Construction of detention facility and drainage improvements – Covington Creek (Washington to Oneta)

## Security for the Bonds

Under state laws, cities and towns in Oklahoma 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 27, cities may issue obligations in an amount within the city upon approval by a simple majority of the voters voting 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 held by the City. The tax rate for sinking fund purposes is determined annually by ascertaining the actual revenue required for payment of principal and interest on indebtedness 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 City 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 City other than the sinking fund.

## Tax Levy Collection Process

Oklahoma Statutes require that each year the City 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 City Council, 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 August 27 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.

Cities and counties in Oklahoma are limited to a total of ten (10) mills from ad valorem taxes for operating purposes between them. Traditionally, the Tulsa County Excise Board has not approved any millage for the City for operating purposes since the ten (10) mills have gone to Tulsa County for its operating fund. For purposes of the general obligation bond debt service, however, there is no limitation as to the mill levy for debt issued under Section 27, Article X of the Oklahoma Constitution.

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 is 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.

**CITY OF BROKEN ARROW**

**General**

The City of Broken Arrow, Oklahoma (the "City") is primarily located in southeastern Tulsa County, the second most populated county in Oklahoma. A portion of the City also lies in Wagoner County adjacent to Tulsa County. The 2000 Census reports the population of the City at 74,859, an increase of 28.97% over the 1990 population of 58,043, making Broken Arrow one of the fastest growing incorporated municipalities in the state. The 2000 Census populations for Tulsa County and Wagoner County were 563,299 and 57,491, representing an increase over the 1990 population of 11.91% and 20.07%, respectively. The City's estimated population in 2007 was 90,714.

Broken Arrow was originally platted as a township in 1903 and operates under a Council-Manager form of government. The City is located adjacent and southeast of Tulsa, Oklahoma, along the Broken Arrow Expressway that connects Tulsa with the Muskogee Turnpike, the main route to Interstate 40 and points eastward. Broken Arrow encompasses approximately fifty-five square miles.

For Fiscal Year 2008/09, the City budgeted 653 persons full-time and 122 part-time and seasonal employees in various departments and divisions. Full-time employees by department are shown below:

|   |           |
|---|-----------|
| Administration and Finance                            | 57        |
| Police  | 174       |
| Fire  | 142       |
| Streets and Stormwater                                | 51        |
| Water and Sewer                                       | 59        |
| Sanitation  | 36        |
| Engineering and Construction                          | 18        |
| Development Services – Including Planning/Inspections | 34        |
| Parks and Recreation                                  | 32        |
| General Services                                      | <u>50</u> |
| TOTAL   | 653       |

The legislative and policy-making body consists of a five-member City Council, elected by wards with staggered terms for a period of four years. The Mayor is elected within the Council membership. The City Manager is responsible for the day-to-day operations of City government.

The major public school system in the City is the Broken Arrow School District (Tulsa County Independent School District No. 3) with an enrollment of 16,196 students. The school system is comprised of fourteen elementary schools, five middle schools, two intermediate high schools and a senior high school. A portion of the City also overlies the Union Public School District that has 14,650 students. Higher educational opportunities are available nearby in the City of Tulsa, including the University of Tulsa, Tulsa Junior College, Oral Roberts University as well as branches of other Oklahoma colleges and universities. In August 2001, Northeastern Oklahoma State University opened its Broken Arrow Campus.

There are three local commercial banks located in the City: Arkansas Valley State Bank, The First National Bank and Trust Company and First BankCentre. The combined deposits of the three banks in 2007 were \$46,897,000. In addition, eight other area banks have branches in Broken Arrow.

Medical facilities available to the community include the Saint Francis at Broken Arrow. The facility is affiliated with Saint Francis Hospital in Tulsa, a major regional medical facility in eastern Oklahoma.

The major area employers for the City of Broken Arrow are presented below.

### Major Area Employers

| <u>NAME</u>                       | <u>TYPE OF BUSINESS</u>   | <u># EMPLOYED</u> |
|-----------------------------------|---------------------------|-------------------|
| 1. Broken Arrow Public Schools    | Public Education Services | 2,021             |
| 2. Wal-Mart (3)                   | Retail                    | 1,323             |
| 3. City of Broken Arrow           | Government Services       | 775               |
| 4. Gatesway Foundation            | Disabilities Center       | 700               |
| 5. Flight Safety International    | Flight Simulators         | 650               |
| 6. Union Public Schools (in B.A.) | Public Education Services | 485               |
| 7. Saint Francis Hospital         | Medical Services          | 450               |
| 8. Oxford Health Care             | Healthcare Services       | 400               |
| 9. MicahTek, Inc.                 | Computer Services         | 375               |
| 10. Baker Oil Tools               | Petroleum                 | 340               |

Source: Broken Arrow Chamber of Commerce

### Municipal Services

The City provides basic services affecting all its residents including but not limited to police and fire protection, parks, streets, water, sewer and refuse collection.

**Water System.** The Broken Arrow water system includes a 36-inch water transmission line from the Oklahoma Ordnance Works Authority (OOWA) near Pryor, Oklahoma, a distance of thirty-three miles. The OOWA serves as the City's primary source of water under a long-term water purchase contract. The system also includes a fifty-three million gallon raw water reservoir and treatment plant located in Wagoner County, approximately twelve miles from the City. The City's distribution system receives water from the treatment plant through a transmission pipeline consisting of thirty-inch diameter pipe at the treatment plant which reduces to twenty-four inch diameter approximately two miles west of the plant site. This twenty-four inch line continues to 71<sup>st</sup> Street and Lynn Lane where connections extend to the elevated storage sites. Currently, there are approximately 468 miles of water system mains in the City of Broken Arrow. Additionally, a 36 inch line extends from the treatment plant to Houston and 9<sup>th</sup> Street serving southern Broken Arrow. The system serves approximately 33,449 customers with average usage of 10.2 million gallons per day.

**Sewer System.** The sewer system of the City consists of approximately 365 miles of collection lines in the Haikey Creek and Broken Arrow Creek watersheds. The Lynn Lane Sewage Treatment Plant is located on Broken Arrow Creek and treats effluent in the Broken Arrow Creek and Adams Creek watersheds. This plant was constructed originally in 1970. In 1977, the City of Broken Arrow and the City of Tulsa jointly

constructed the Haikey Creek Sewage Treatment Plant that treats effluent from the Haikey Creek watershed. Approximately 31,218 customers are served by the City's sewer system.

**Solid Waste System.** The City collects solid waste from residential customers twice per week. The City then transfers the solid waste to a nearby landfill owned by the City, but leased to a private company that operates the facility. The permitting process for adjacent property is underway to expand the facility's capacity. The City currently serves approximately 30,048 customers on its solid waste system.

**Other Utilities.** Electrical power is supplied by AEP/PSO, natural gas by Oklahoma Natural Gas Company, and telephone service by Valor Telcom.

## **FINANCIAL INFORMATION**

### **Financial Management and Control**

The accounting and reporting policies of the City of Broken Arrow relating to the fund types included in the financial statements conform to generally accepted accounting principles. Generally accepted accounting principles for municipalities are defined as those principles established by the Governmental Accounting Standards Board (GASB).

### **Governmental Fund Types**

**General Fund.** The General Fund is the primary operating fund of the City that accounts for all financial transactions not accounted for in other funds and certain Public Trust activities that require separate accountability for services rendered.

**Special Revenue Funds.** Special Revenue Funds are used to account for the proceeds of specific revenue sources that are normally restricted to expenditures for specified purposes.

**Debt Service Funds.** As prescribed by State law, the Debt Service Funds receive monies for the retirement of general obligation bonded debt and court-assessed judgments. Such revenues are used for the payment of principal and interest on the City's general obligation bonds and judgments which are recorded in the General Long-Term Debt Account Group.

**Capital Projects Funds.** The Capital Project Funds account for major capital improvements that are financed from bond proceeds, federal and state grants and other specific receipts.

### **Proprietary Fund Types**

**Enterprise Funds.** The City's Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Internal Service Funds.** Internal Service Funds account for charges to the operating funds of the City to pay workers compensation claims and certain group health and life insurance plans.

## Fiduciary Fund Types

**Agency Funds.** Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

## General Fund Highlights

Revenues and expenditures for the City's General Fund as presented in the City's audited financial statements for Fiscal Years 2004 through 2008:

|  | <b>For Fiscal Year Ending June 30</b> |                     |                     |                       |                       |
|--|---------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| <b>REVENUES</b>  | <b>2004</b>                           | <b>2005</b>         | <b>2006</b>         | <b>2007</b>           | <b>2008</b>           |
| Taxes  | \$25,204,084                          | \$26,125,835        | \$27,172,679        | \$27,913,687          | \$29,175,937          |
| Licenses & Permit  | 650,450                               | 770,640             | 1,004,199           | 841,930               | 827,164               |
| Intergovernmental  | 338,563                               | 328,916             | 278,267             | 231,703               | 957,385               |
| Charges for Services   | 1,638,596                             | 1,847,815           | 3,636,171           | 4,080,700             | 4,555,892             |
| Fines & Forfeitures  | 1,298,679                             | 1,494,426           | 1,742,553           | 1,602,621             | 1,600,980             |
| Interest   | 41,877                                | 58,767              | 95,400              | 164,699               | 160,063               |
| Miscellaneous*   | <u>355,106</u>                        | <u>6,425,665</u>    | <u>14,403,358</u>   | <u>1,259,216</u>      | <u>2,891,789</u>      |
| <b>TOTAL REVENUES</b>  | <b>\$29,527,355</b>                   | <b>\$37,052,064</b> | <b>\$48,332,627</b> | <b>\$36,094,556</b>   | <b>\$40,169,210</b>   |
| <b>EXPENDITURES</b>  |                                       |                     |                     |                       |                       |
| General Government*  | \$ 3,869,941                          | \$10,310,590        | \$20,176,363        | \$ 7,262,869          | \$ 8,035,447          |
| Public Safety  | 18,873,003                            | 20,719,983          | 22,451,510          | 24,667,232            | 26,207,392            |
| Highways and streets   | 1,730,400                             | 1,841,486           | 3,006,348           | 2,506,543             | 2,686,423             |
| Culture and Recreation   | 1,590,304                             | 1,781,418           | 1,970,444           | 2,173,416             | 2,355,826             |
| Debt Service   | -                                     | -                   | -                   | -                     | 1,912,838             |
| Capital Outlay   | <u>300,238</u>                        | <u>111,498</u>      | <u>-</u>            | <u>-</u>              | <u>-</u>              |
| <b>TOTAL EXPENDITURES</b>  | <b>\$26,372,596</b>                   | <b>\$34,764,975</b> | <b>\$48,274,232</b> | <b>\$38,527,750</b>   | <b>\$41,197,926</b>   |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>                                  | <b>\$ 3,154,759</b>                   | <b>\$ 2,287,089</b> | <b>\$ 58,395</b>    | <b>(\$ 2,433,194)</b> | <b>(\$ 1,028,716)</b> |
| Sales of Fixed Assets  | 30,291                                | -                   | -                   | -                     | -                     |
| Other Sources  | -                                     | -                   | 33,611              | 20,121                | -                     |
| Debt Proceeds  | 276,813                               | -                   | -                   | -                     | -                     |
| Operating Transfers In   | 10,131,250                            | 9,817,223           | 10,181,412          | 10,768,987            | 11,201,018            |
| Operating Transfers Out  | <u>(11,124,791)</u>                   | <u>(10,547,894)</u> | <u>(9,149,652)</u>  | <u>(9,361,189)</u>    | <u>(9,821,375)</u>    |
| <b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> | <b>\$ 2,468,122</b>                   | <b>\$ 1,556,418</b> | <b>\$ 1,123,766</b> | <b>(\$ 1,005,275)</b> | <b>\$ 350,927</b>     |
| <b>BEGINNING FUND BALANCE</b>  | <b>\$ 1,569,466</b>                   | <b>\$ 4,014,020</b> | <b>\$ 5,570,438</b> | <b>\$ 6,694,204</b>   | <b>\$ 5,688,929</b>   |
| <b>PRIOR PERIOD ADJUSTMENT</b>   | <b>(23,568)</b>                       | <b>-</b>            | <b>-</b>            | <b>-</b>              | <b>-</b>              |
| <b>ENDING FUND BALANCE</b>   | <b>\$ 4,014,020</b>                   | <b>\$ 5,570,438</b> | <b>\$ 6,694,204</b> | <b>\$ 5,688,929</b>   | <b>\$ 6,039,856</b>   |

\* Miscellaneous revenues shown for FY 2005 and FY 2006 include proceeds drawn over both fiscal years against a \$20,300,000 Construction and Term Loan assumed by the City on May 19<sup>th</sup>, 2004 and a \$4,000,000 Sales Tax Revenue Note issued by the City on the same day. General Government expenditures shown for FY 2005 and FY 2006 include the reflected expenditure of those proceeds as drawn over both fiscal years for the construction of Bass Pro Outdoor World ("Bass Pro") and certain infrastructure improvements associated with the Bass Pro facility.

Source: Audited Financial Statements

## Net Assessed Valuation

Since ad valorem taxes are correlated to the value of property within the City, trends in property valuations are an important economic indicator. The assessed valuation of property within the City 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 annually by the Oklahoma Tax Commission and set 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 determined.

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.

At a special election on September 14, 1993, the qualified electors of Tulsa County approved the exemption of personal property taxes on "household goods of the heads of families and livestock employed in support of the family" located within the County. The election was held pursuant to an amendment to the Constitution of the State of Oklahoma approved by the voters as State Question 648 on November 3, 1992, which gave each county the authorization to hold such an election. The exemption was effective beginning in 1994. Wagoner County voters also approved such exemption in 1998, effective in 1999.

Table 1 presents the historical net assessed valuation by county for the City of Broken Arrow from 1999 to 2008. Net assessed valuation increased 120.10 percent during the period shown. The current assessment rates are 11 percent and 10 percent in Tulsa County for real and personal property, respectively. The rates in Wagoner County have been 11.2 percent for real property since 1989 and for personal property purposes the rate was set at 12 percent in 1991. The City's Net Assessed Valuation in the most recent year shows an increase of 8.45 percent for both counties.

**Table 1**  
**Net Assessed Valuation \***

| <b>Fiscal Year</b> | <b>Tulsa County</b> |                | <b>Wagoner County</b> |                | <b>Total</b> | <b>% Change</b> |
|--------------------|---------------------|----------------|-----------------------|----------------|--------------|-----------------|
|                    | <b>Amount</b>       | <b>Percent</b> | <b>Amount</b>         | <b>Percent</b> |              |                 |
| 1999/00            | 266,719,144         | 88.7           | 34,072,494            | 11.3           | 300,791,638  | 10.26           |
| 2000/01            | 296,313,805         | 90.4           | 31,599,101            | 9.6            | 327,912,906  | 9.02            |
| 2001/02            | 324,818,441         | 89.2           | 39,304,740            | 10.8           | 364,123,181  | 11.04           |
| 2002/03            | 361,405,391         | 89.7           | 41,422,920            | 10.3           | 402,828,311  | 10.63           |
| 2003/04            | 391,275,451         | 88.9           | 48,849,136            | 11.1           | 440,124,587  | 9.26            |
| 2004/05            | 409,061,076         | 87.4           | 59,161,807            | 12.6           | 468,222,883  | 6.38            |
| 2005/06            | 439,004,095         | 85.1           | 76,761,815            | 14.9           | 515,765,910  | 10.15           |
| 2006/07            | 467,292,150         | 84.4           | 86,536,810            | 15.6           | 553,828,960  | 7.38            |
| 2007/08            | 503,228,156         | 83.8           | 97,627,782            | 16.2           | 600,627,782  | 8.45            |
| 2008/09            | 532,090,525         | 83.6           | 104,442,305           | 16.4           | 636,532,830  | 5.98            |

\* Reflects applicable homestead exemption allowance.

Table 2 presents a breakdown of the valuation components by county for the last ten years.

**Table 2**  
**City of Broken Arrow, Oklahoma**

**Historical Net Assessed Valuation By County**

| <b>Fiscal Year</b> | <b>Tulsa County</b>   |                          |                       |                  | <b>Wagoner County</b> |                          |                       |                  |
|--------------------|-----------------------|--------------------------|-----------------------|------------------|-----------------------|--------------------------|-----------------------|------------------|
|                    | <b>Real Property*</b> | <b>Personal Property</b> | <b>Public Service</b> | <b>Total NAV</b> | <b>Real Property*</b> | <b>Personal Property</b> | <b>Public Service</b> | <b>Total NAV</b> |
| 1999 - 2000        | 230,362,531           | 22,338,082               | 14,018,531            | 266,719,144      | 23,365,754            | 9,750,767                | 955,973               | 34,072,494       |
| 2000 - 2001        | 255,687,410           | 25,867,240               | 14,759,155            | 296,313,805      | 25,749,229            | 4,786,270                | 1,063,602             | 31,599,101       |
| 2001 - 2002        | 283,146,913           | 29,342,478               | 12,329,050            | 324,818,441      | 34,284,705            | 4,104,846                | 915,189               | 39,304,740       |
| 2002 - 2003        | 311,150,137           | 28,888,320               | 21,367,024            | 361,405,391      | 36,219,660            | 3,483,088                | 1,720,172             | 41,422,920       |
| 2003 - 2004        | 336,704,728           | 33,360,990               | 21,209,733            | 391,275,451      | 43,480,504            | 3,610,717                | 1,757,915             | 48,849,136       |
| 2004 - 2005        | 357,904,539           | 31,818,909               | 19,337,628            | 409,061,076      | 49,038,849            | 3,862,192                | 6,260,766             | 59,161,807       |
| 2005 - 2006        | 384,914,434           | 33,684,111               | 20,405,550            | 439,004,095      | 66,176,957            | 4,001,992                | 6,582,866             | 76,761,815       |
| 2006 - 2007        | 411,859,370           | 35,869,159               | 19,563,621            | 467,292,150      | 75,739,702            | 3,808,380                | 6,988,828             | 86,536,810       |
| 2007 - 2008        | 446,060,335           | 36,807,687               | 20,360,134            | 503,228,156      | 85,257,442            | 4,236,780                | 7,905,404             | 97,399,626       |
| 2008 - 2009        | 471,911,436           | 40,073,538               | 20,105,551            | 532,090,525      | 91,914,082            | 4,657,730                | 7,870,493             | 104,442,305      |

\* Reflects Homestead Exemption Deduction

**Estimated Actual Market Valuation**

| <u>Year</u> | <u>Market Valuation</u> | <u>Percent Increase</u> |
|-------------|-------------------------|-------------------------|
| 2008/09     | \$5,869,082,375         | 5.98%                   |
| 2007/08     | 5,537,980,273           | 8.18                    |
| 2006/07     | 5,119,107,499           | 7.12                    |
| 2005/06     | 4,778,911,790           | 10.22                   |
| 2004/05     | 4,335,892,563           | 5.93                    |
| 2003/04     | 4,093,005,841           | 9.29                    |
| 2002/03     | 3,745,243,119           | 9.18                    |
| 2001/02     | 3,430,276,977           | 11.40                   |
| 2000/01     | 3,079,174,412           | 9.02                    |
| 1999/00     | 2,824,355,859           | --                      |

Three school districts overlap the City of Broken Arrow with their respective valuations within the City for 2008/2009 shown below:

| <u>SCHOOL DISTRICT</u> | <u>NET ASSESSED VALUATION</u> | <u>% OF CITY'S NAV</u> |
|------------------------|-------------------------------|------------------------|
| Bixby (I-4)            | \$ 3,729,266                  | 0.59%                  |
| Broken Arrow (I-3)     | 479,945,175                   | 75.40                  |
| Union (I-9)            | <u>152,858,389</u>            | <u>24.01</u>           |
| <b>TOTALS</b>          | <b>\$ 636,532,830</b>         | <b>100.00%</b>         |

**Largest Ad Valorem Taxpayers**

The ten largest ad valorem taxpayers in the City for Fiscal Year 2008-2009 are shown in Table 3 according to net assessed valuation.

**Table 3  
Largest Ad Valorem Taxpayers**

| <u>Name</u>                         | <u>Type of Business</u>    | <u>Net Assessed Valuation</u> |
|-------------------------------------|----------------------------|-------------------------------|
| 1. Public Service Co. of Oklahoma   | Electrical Utility         | \$ 8,942,755                  |
| 2. Valor Communications             | Telephone Utility          | 8,325,467                     |
| 3. Wal-Mart Stores                  | Retail                     | 4,999,454                     |
| 4. Oklahoma Natural Gas Co.         | Gas Utility                | 4,340,806                     |
| 5. Cox Communications               | Communications             | 3,220,944                     |
| 6. Greens at Broken Arrow           | Real Property              | 2,327,835                     |
| 7. Orix Battle Creek I LLC          | Real Property              | 2,324,575                     |
| 8. Paragon Films                    | Stretch Film Manufacturing | 2,286,811                     |
| 9. Baker Oil Tools/Baker Hughes     | Oil Field Equipment        | 2,177,800                     |
| 10. MCI Telecommunications Services | Telecommunications         | <u>1,925,607</u>              |
|                                     | <b>TOTAL</b>               | <b>\$40,872,054</b>           |
|                                     | <b>% of Total NAV*</b>     | <b>6.42%</b>                  |

\* Based on 2008/09 Net Assessed Valuation of \$636,532,830.

Source: Tulsa and Wagoner County Officials

## Levy History

Table 4 presents the historical ad valorem tax levies within the City for taxpayers in the Broken Arrow School District (I-3) for all taxing entities. Total tax levies have averaged 128.91 mills during the last ten years with the Fiscal Year 2008-09 levy at 129.63 mills.

**Table 4**  
**Historical Tax Levies\***

| <b>Fiscal Year</b> | <b>Tulsa County</b> | <b>ISD No. 3</b> |                 |                | <b>Tulsa Comm. College</b> | <b>Tulsa Vo-Tech</b> | <b>City Sinking Fund</b> | <b>Total Levy</b> |
|--------------------|---------------------|------------------|-----------------|----------------|----------------------------|----------------------|--------------------------|-------------------|
|                    |                     | <b>General</b>   | <b>Building</b> | <b>Sinking</b> |                            |                      |                          |                   |
| 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                    | 127.25            |
| 2004-05            | 22.61               | 36.40            | 5.20            | 27.23          | 7.21                       | 13.33                | 15.08                    | 127.06            |
| 2003-04            | 23.89               | 36.40            | 5.20            | 30.26          | 8.28                       | 13.33                | 12.89                    | 130.25            |
| 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            | 28.96          | 8.80                       | 13.33                | 14.00                    | 131.01            |
| 10-Yr.<br>Average  |                     |                  |                 |                |                            |                      |                          | 128.91            |

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

## Sinking Fund Tax Collection History

Table 5 presents the dollar amount of ad valorem taxes levied for Sinking Fund purposes on a net basis. The City has traditionally levied a five percent delinquency amount. Also shown are actual tax receipts collected.

**Table 5**  
**Tax Collection History**

|                       | <b>Fiscal Year Ended June 30</b> |               |                |                |                |                |                |                |
|-----------------------|----------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                       | <b>2001</b>                      | <b>2002</b>   | <b>2003</b>    | <b>2004</b>    | <b>2005</b>    | <b>2006</b>    | <b>2007</b>    | <b>2008</b>    |
| Total Tax Levy        | 4,886,631                        | 5,936,011     | 6,629,122      | 5,675,040      | 7,058,668      | 7,767,402      | 8,719,498      | 9,191,392      |
| Tax Collection        |                                  |               |                |                |                |                |                |                |
| Current Year          | 4,791,618                        | 5,837,275     | 6,433,405      | 5,488,159      | 6,845,688      | 7,586,575      | 8,540,694      | 8,924,990      |
| Prior Years           | <u>69,305</u>                    | <u>76,174</u> | <u>136,606</u> | <u>188,771</u> | <u>151,765</u> | <u>114,570</u> | <u>235,828</u> | <u>194,897</u> |
| Total Tax Collections | 4,860,923                        | 5,913,449     | 6,570,011      | 5,676,930      | 6,997,453      | 7,701,145      | 8,776,522      | 9,119,887      |
| %                     | 99.47%                           | 99.62%        | 99.11%         | 100.03%        | 99.13%         | 99.15%         | 100.65%        | 99.22%         |

## INDEBTEDNESS

### Payment Record

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

### Existing Indebtedness

As of February 3, 2009, the City had ten General Obligation Bond issues outstanding in the aggregate principal amount of \$59,370,000, as shown in Table 6.

**Table 6**  
**Summary of Existing General Obligation Bonds**

| <u>Issue Description</u> | <u>Date of Bonds</u> | <u>Original Amount</u> | <u>Final Maturity</u> | <u>Net Interest Rate</u> | <u>Bonds Outstanding</u> |
|--------------------------|----------------------|------------------------|-----------------------|--------------------------|--------------------------|
| 1998 Bonds               | 02/01/98             | \$10,000,000           | 07/01/2012            | 4.2136%                  | \$ 3,250,000             |
| 2000 Bonds               | 06/01/00             | 4,500,000              | 07/01/2012            | 5.3778                   | 1,700,000                |
| 2001A Bonds              | 05/01/01             | 6,800,000              | 07/01/2015            | 4.5402                   | 3,680,000                |
| 2001B Bonds              | 08/01/01             | 9,500,000              | 08/01/2016            | 4.4395                   | 5,450,000                |
| 2002 Bonds               | 08/01/02             | 4,075,000              | 08/01/2017            | 3.9417                   | 2,625,000                |
| 2003 Bonds               | 08/01/03             | 7,725,000              | 08/01/2018            | 3.6624                   | 5,525,000                |
| 2004 Bonds               | 08/01/04             | 10,070,000             | 08/01/2019            | 4.0535                   | 7,925,000                |
| 2005 Bonds               | 12/01/05             | 8,600,000              | 12/01/2020            | 4.2526                   | 7,380,000                |
| 2006 Bonds               | 08/01/06             | 12,000,000             | 08/01/2021            | 4.2784                   | 11,150,000               |
| 2008 Bonds               | 04/01/08             | <u>10,685,000</u>      | 04/01/2023            | 4.2887                   | <u>10,685,000</u>        |
| Totals                   |                      | \$83,955,000           |                       |                          | \$59,370,000             |

### City Indebtedness

The Constitution of Oklahoma provides that, without approval of the voters, the City is prohibited from becoming indebted in any fiscal year in an amount exceeding the income and revenue to be received for such fiscal year. The combined indebtedness of the City for the existing issues and the 2009 Bond maturities is as follows:

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| <u>ORIGINAL ISSUE</u>    |               | <u>MATURITIES</u>             |                      |                            |
|--------------------------|---------------|-------------------------------|----------------------|----------------------------|
| <u>Date</u>              | <u>Amount</u> | <u>Payment Dates</u>          | <u>Amount</u>        | <u>Outstanding Balance</u> |
| 02/01/98                 | 10,000,000    | 07/01/2009-2011<br>07/01/2012 | 750,000<br>1,000,000 | \$3,250,000                |
| 06/01/00                 | 4,500,000     | 07/01/2009-2011<br>07/01/2012 | 400,000<br>500,000   | 1,700,000                  |
| 05/01/01                 | 6,800,000     | 07/01/2009-2014<br>07/01/2015 | 520,000<br>560,000   | 3,680,000                  |
| 08/01/01                 | 9,500,000     | 08/01/2009-2015<br>08/01/2016 | 675,000<br>725,000   | 5,450,000                  |
| 08/01/02                 | 4,075,000     | 08/01/2009-2016<br>08/01/2017 | 290,000<br>305,000   | 2,625,000                  |
| 08/01/03                 | 7,725,000     | 08/01/2009-2017<br>08/01/2018 | 550,000<br>575,000   | 5,525,000                  |
| 08/01/04                 | 10,070,000    | 08/01/2009-2018<br>08/01/2019 | 715,000<br>775,000   | 7,925,000                  |
| 12/01/05                 | 8,600,000     | 12/01/2009-2019<br>12/1/2020  | 610,000<br>670,000   | 7,380,000                  |
| 08/01/06                 | 12,000,000    | 09/01/2009-2020<br>08/01/2021 | 850,000<br>950,000   | 11,150,000                 |
| 04/01/08                 | 10,685,000    | 04/01/2010-2022<br>04/01/2023 | 760,000<br>805,000   | 10,685,000                 |
| 03/01/09<br>(Authorized) | 1,000,000     | 03/01/2011-2012               | 500,000              | 1,000,000                  |
| 03/01/09<br>(Authorized) | 11,400,000    | 03/01/2011-2023<br>03/01/2024 | 810,000<br>870,000   | <u>11,400,000</u>          |
| TOTAL                    | \$96,355,000  |                               |                      | \$71,770,000               |

Under State law, judgments against a city are payable from ad valorem taxes over three years at a maximum interest rate of ten percent (10%). The City and Broken Arrow Municipal Authority purchase all judgments assessed as investments, therefore current judgments not yet levied for are reflected as judgments receivable.

The combined estimated principal and interest levy requirements for existing and authorized bonds and judgments are shown in Table 7 for the next five fiscal years.

**Table 7**  
**Principal and Interest Levy Requirements for Existing and Authorized Indebtedness**

| <u>Fiscal Year</u> | <u>Principal Levy</u> | <u>Interest Levy</u> * | <u>Total Levy</u> |
|--------------------|-----------------------|------------------------|-------------------|
| 2008-09            | \$6,418,375           | \$2,676,274            | \$9,094,649       |
| 2009-10            | 7,479,394             | 2,843,550              | 10,322,944        |
| 2010-11            | 7,455,635             | 2,434,242              | 9,889,876         |
| 2011-12            | 6,813,761             | 2,127,220              | 8,940,982         |
| 2012-13            | 5,724,476             | 1,844,652              | 7,569,128         |

\* Assumes a net interest rate on 2009A and 2009B Bonds of 2.35% and 3.65% respectively.

**STATEMENT OF INDEBTEDNESS**

(As of February 3, 2009)

|   |                   |                      |
|---|-------------------|----------------------|
| Estimated Actual Market Value (2008-2009)                                   |                   | \$5,869,082,375      |
| Assessed Valuation ( <b>Gross</b> ) Including Homestead Exemption           |                   | \$658,200,561        |
| Real Property (Excluding <sup>3</sup> \$21,667,731 in Homestead Exemption)  | \$563,825,518     |                      |
| Personal Property   | 44,731,268        |                      |
| Public Service Property   | <u>27,976,044</u> |                      |
| Assessed Valuation ( <b>Net</b> ) Excluding Homestead Exemption             |                   | \$636,532,830        |
| Indebtedness Outstanding  |                   |                      |
| Judgment Indebtedness   | \$ 726,405        |                      |
| Existing Bonded Indebtedness  | 59,370,000        |                      |
| 2009A Bonds   | 1,000,000         |                      |
| 2009A Bonds   | <u>11,400,000</u> |                      |
| Total General Obligation Debt Outstanding                                   |                   | \$ <u>72,496,405</u> |
| Less Sinking Fund Balance (As of February 3, 2009)                          |                   | <u>(8,058,083)</u>   |
| Net General Obligation Indebtedness   |                   | \$ <u>64,438,322</u> |
| Ratio of Net General Obligation Bonds Outstanding to Net Assessed Valuation |                   | 10.12%               |
| Net Indebtedness Per Capita (Based on 2007 Est. Population of 90,714)       |                   | \$710.35             |

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

Direct, underlying and overlapping indebtedness within the City of Broken Arrow includes debt of the City, Broken Arrow School District, Union School District, Bixby School District, Tulsa Community College, Tulsa Vo-Tech #18, Tulsa County and Wagoner County as shown. The aggregate net indebtedness directly, underlying and overlapping the City is \$114,619,605 which includes the 2009A and 2009B Bonds.

| <u>Governmental Entity</u>                   | <u>Net Indebtedness</u> | <u>Estimated % Applicable to the City<sup>1</sup></u> | <u>Overlapping Debt Applicable to the City</u> | <u>Per Capita Debt</u> |
|--|-------------------------|---|--|------------------------|
| City of Broken Arrow <sup>2</sup>            | \$64,438,322            | 100.00%   | \$ 64,438,322                                  | \$ 710.35              |
| Broken Arrow School Dist. (I-3) <sup>3</sup> | 53,257,672              | 78.05%  | 41,567,613                                     | 458.23                 |
| Union School Dist. (I-9) <sup>3</sup>        | 37,222,211              | 22.23%  | 8,274,498                                      | 91.22                  |
| Bixby School District (I-4) <sup>4</sup>     | 23,843,941              | 1.38%   | 329,046  | 3.63                   |
| Tulsa Community College                      | -                       | 11.61%  | -  | -                      |
| Tulsa Vo-Tech #18                            | -                       | 12.57%  | -  | 0.00                   |
| Tulsa County <sup>4</sup>                    | 87,220                  | 11.61%  | 10,126   | 0.11                   |
| Wagoner County                               | -                       | 27.79%  | -  | -                      |
| Total  | \$178,849,366           |   | \$114,619,605                                  | \$1,263.54             |

<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 City of Broken Arrow. Based on 2008-09 valuations.

<sup>2</sup> As of February 3, 2009 (Including the 2009A and 2009B Bonds)

<sup>3</sup> As of February 3, 2009

<sup>4</sup> As of June 30, 2008

## City Related Indebtedness

The Broken Arrow Municipal Authority (BAMA) is a public trust created by a Trust Indenture dated as of July 1, 1979, with the City of Broken Arrow as beneficiary. Pursuant to a Lease Agreement and Operation and Maintenance Contract dated as of July 1, 1979, the City has leased the water, sewer and solid waste management systems to BAMA. BAMA has several loans from the Oklahoma Water Resources Board (OWRB) outstanding as follows:

| <u>Type of Obligation</u> | <u>Date of Issue</u> | <u>Purpose</u>   | <u>Original Amount</u> | <u>Final Maturity</u> | <u>Principal Outstanding</u> |
|---------------------------|----------------------|------------------|------------------------|-----------------------|------------------------------|
| CWSRF Loan (Permanent)    | 10/16/97             | Wastewater       | 1,079,559              | 02/15/17              | 470,577                      |
| CWSRF Loan (Permanent)    | 12/22/97             | Wastewater       | 1,570,000              | 08/15/17              | 706,500                      |
| CWSRF Loan (Permanent)    | 06/29/99             | Wastewater       | 1,110,358              | 02/15/18              | 555,179                      |
| CWSRF Loan (Permanent)    | 12/21/01             | Wastewater       | 371,954                | 02/15/21              | 238,432                      |
| DWSRF Loan (Permanent)    | 08/30/04             | Water            | 11,500,000             | 09/15/25              | 9,087,891                    |
| CWSRF Loan (Permanent)    | 06/14/07             | Wastewater       | 15,000,000             | 03/15/24              | 15,000,000                   |
| FAP (Refinance)           | 05/25/05             | Water/Wastewater | <u>13,055,000</u>      | 10/01/15              | <u>9,335,000</u>             |
| TOTALS                    |                      |                  | \$43,686,871           |                       | \$35,393,579                 |

The Loan Agreements governing the OWRB loans provide for the security of the bonds through the pledge of net revenues from the water, sewer and solid waste systems and the proceeds of a one-cent (1¢) sales tax collected by the City and appropriated to the Authority on a year-to-year basis. BAMA is in full compliance with the provisions of the Loan Agreements.

### Economic Development Notes

In order to provide financing for the construction of a new Bass Pro Outdoor World ("Bass Pro"), the City of Broken Arrow, Oklahoma in May 2004 assumed a note previously entered into between Bank of America, N.A. and Stone Wood Hills BP, L.L.C., a private developer. The taxable note is in the principal amount of \$20,300,000 and has a final maturity of November 1, 2025. The note is secured by a pledge of \$2,750,000 in sales tax revenues, subject to annual appropriation of such funds by the City Council and a mortgage on the property and building to be financed. The building housing Bass Pro is located on the Broken Arrow Expressway near Elm Street (161<sup>st</sup> Street). Construction began in October 2004 with the store actually opening for business on October 20, 2005. Currently, the principal outstanding on the note is \$18,920,000.

In addition to the above-mentioned obligation, the City issued its \$4,000,000 Sales Tax Revenue Note, Taxable Series 2004 in May 2004 to finance certain infrastructure improvements associated with the Bass Pro facility. The Sales Tax Note is secured by a portion of a ½% Capital Improvement Sales Tax. The Sales Tax Note carries a variable rate of interest with a final maturity of June 1, 2011. The pledged revenues are subject to annual appropriations by the City Council. Currently, the principal outstanding on the note is \$1,715,000.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population

As previously mentioned, the Broken Arrow region has experienced dramatic population growth. Table 8 presents historical and estimated population for the City of Broken Arrow, Tulsa County and Wagoner County.

**Table 8**  
**Population**

| <u>Year</u> |             | <u>City of<br/>Broken Arrow</u> | <u>Tulsa<br/>County</u> | <u>Wagoner<br/>County</u> |
|-------------|-------------|---------------------------------|-------------------------|---------------------------|
| 1960        | (census)    | 5,928                           | 346,038                 | 15,673                    |
| 1970        | (census)    | 11,018                          | 401,663                 | 22,163                    |
| 1980        | (census)    | 35,761                          | 470,593                 | 41,801                    |
| 1990        | (census)    | 58,043                          | 503,341                 | 47,883                    |
| 2000        | (census)    | 74,859                          | 563,301                 | 57,491                    |
| 2001        | (estimated) | 81,827                          | 566,881                 | 58,764                    |
| 2002        | (estimated) | 83,590                          | 570,474                 | 60,199                    |
| 2003        | (estimated) | 83,955                          | 569,933                 | 61,124                    |
| 2004        | (estimated) | 84,480                          | 568,157                 | 62,043                    |
| 2005        | (estimated) | 85,712                          | 570,537                 | 63,199                    |
| 2006        | (estimated) | 87,933                          | 577,577                 | 65,116                    |
| 2007        | (estimated) | 90,714                          | 585,068                 | 67,239                    |

Source: U.S. Census Bureau

**Population by Age**

Table 9 presents the distribution of population by age for Tulsa County and the State of Oklahoma for selected years.

**Table 9**  
**Percentage of Population by Age**

| <u>YEAR</u>       | <u>0-4</u> | <u>5-14</u> | <u>15-44</u> | <u>45-64</u> | <u>65+</u> | <u>TOTAL</u> |
|-------------------|------------|-------------|--------------|--------------|------------|--------------|
| 1980              |            |             |              |              |            |              |
| Tulsa County      | 7.7%       | 14.8%       | 48.3%        | 19.2%        | 9.9%       | 100.0%       |
| State of Oklahoma | 7.7        | 15.2        | 45.5         | 19.2         | 12.4       | 100.0        |
| 1985              |            |             |              |              |            |              |
| Tulsa County      | 7.6%       | 14.5%       | 48.5%        | 18.9%        | 10.5%      | 100.0%       |
| State of Oklahoma | 8.1        | 14.8        | 46.0         | 18.4         | 12.7       | 100.0        |
| 1990              |            |             |              |              |            |              |
| Tulsa County      | 7.7%       | 14.5%       | 47.8%        | 18.4%        | 11.6%      | 100.0%       |
| State of Oklahoma | 7.2        | 15.1        | 45.1         | 19.1         | 13.5       | 100.0        |
| 2000              |            |             |              |              |            |              |
| Tulsa County      | 7.4%       | 14.6%       | 44.6%        | 21.6%        | 11.8%      | 100.0%       |
| State of Oklahoma | 6.8        | 14.4        | 43.2         | 22.3         | 13.2       | 100.0        |

**Per Capita Income**

Tulsa County's per capita income has consistently exceeded the state average. A comparison of Tulsa County and the State of Oklahoma is shown in Table 10 for the years 2000 through 2006. Median Household Income (MHI) in 2007 for the City of Broken Arrow was \$63,531 compared to the State MHI of \$41,567.

**Table 10**  
**Per Capita Income**

| <u>Year</u> | <u>Tulsa County</u> | <u>State of Oklahoma</u> |
|-------------|---------------------|--------------------------|
| 2006        | \$44,321            | \$32,391                 |
| 2005        | 40,628              | 30,107                   |
| 2004        | 38,170              | 28,444                   |
| 2003        | 34,789              | 26,457                   |
| 2002        | 34,653              | 25,872                   |
| 2001        | 36,198              | 26,022                   |
| 2000        | 33,109              | 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 11. Also, shown is the county unemployment rate compared to state and national averages for the same period.

**Table 11**  
**Employment Statistics**

| <u>Year</u> | <u>Labor Force</u> | <u>Number Employed</u> | <u>Unemployment Rates</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                       | 5.6                | 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: U.S. Bureau of Labor Statistics

### 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 (7 1/2%). Wagoner County levies a 1.3% 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 12.

**Table 12**  
**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 13 presents the total bank deposits for the City's three local banks for the years 2000 through 2007 with the deposits for 1998 through 1999 reflecting two local banks.

**Table 13**  
**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

Retail sales in the City of Broken Arrow are shown in Table 14 for the years 1998 through 2007.

**Table 14**  
**Retail Sales**  
(in '000's of dollars)

| <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: Center for Economics and Management Research, Oklahoma University.

## Building Permits

Construction activity in Broken Arrow has experienced a significant increase, particularly in residential construction. Table 15 indicates the number of permits issued and estimated value for residential and commercial purposes for the last ten years.

**Table 15**  
**Building Permits**

| <u>Year</u> | <u>Residential</u> |                 | <u>Commercial</u> |                 | <u>Total</u>  |                 |
|-------------|--------------------|-----------------|-------------------|-----------------|---------------|-----------------|
|             | <u>Number</u>      | <u>\$ Value</u> | <u>Number</u>     | <u>\$ Value</u> | <u>Number</u> | <u>\$ Value</u> |
| 2008        | 459                | 89,075,773      | 100               | 191,050,064     | 559           | 280,125,837     |
| 2007        | 831                | 153,232,901     | 55                | 48,103,824      | 886           | 201,336,725     |
| 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           | 181,273,294     |
| 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        | 622                | 83,757,266      | 41                | 91,726,080      | 663           | 175,483,346     |
| 1999        | 1128               | 103,664,742     | 128               | 36,556,804      | 1256          | 140,221,546     |

Source: City Records.

## RATINGS

Ratings on the Bonds have 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 agency directly.

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of the Kiser Law Firm, PLLC, Edmond, Oklahoma, 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. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others, in connection with the Bonds, and Bond Counsel has assumed compliance by the City 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 City 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 2009 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 2009 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 2009 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 2009 Bonds under federal or state law and could affect the market price or marketability of the 2009 Bonds. Prospective purchasers of the 2009 Bonds should consult their own tax advisors regarding the foregoing matters.

## **UNDERWRITING**

The Bonds are to be sold at competitive sale on February 17, 2009. 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 STATEMENTS**

The audited financial statements of the City as of June 30, 2008, are available from the City or the Financial Advisor.

## **FINANCIAL ADVISOR**

Municipal Finance Services, Inc. is acting as Financial Advisor to the City of Broken Arrow in the issuance of the 2009 Bonds. The Financial Advisor is located at 3325 French Park Drive, Suite 8, Edmond, Oklahoma 73034-7265, (405) 340-1727, and is registered with the Oklahoma Department of Securities as an Investment Advisor.

## **CLOSING DOCUMENTS**

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

## **CERTIFICATIONS**

The City 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.

## **PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL**

The City 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.

## **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of Bondholders to provide annually certain financial information and operating data relating to the Issuer by not later than one hundred eighty days following the end of its fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board and each State Repository. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption "Exhibit A - Summary



## EXHIBIT A

### SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is being executed and delivered by the City of Broken Arrow, Oklahoma (the "Issuer") as a material inducement to the purchasers (the "Underwriters") of the Issuer's \$1,000,000 General Obligation Bonds, Series 2009A dated March 1, 2009 and \$11,400,000 General Obligation Bonds, Series 2009B dated March 1, 2009 (collectively, the "Bonds"), issued pursuant to an Ordinance of the Issuer dated February 17, 2009 (the "Ordinance"). Capitalized terms used in the Agreement which are not otherwise defined in the Ordinance, shall have the same respective meanings specified below or in Section 2 of the Agreement. The Issuer hereby agrees as follows:

**Purpose.** This Agreement 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 Agreement.

**"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 Agreement.

**"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., FT Interactive Data and Standard & Poor's Securities Evaluations, Inc. (Filing information relating to such NRMSIRs is listed at the end of this Summary.)

**"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 this Agreement, there is no State Repository.

**"Underwriter"** 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 Agreement. 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 Agreement; 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 Ordinance.

**Termination of Reporting Obligation.** The Issuer's obligations under the Agreement 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 Agreement, 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 Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Agreement 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 Agreement. 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 Agreement, the Issuer shall have no obligation under this Agreement 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 Agreement 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 Agreement. A default under the Agreement shall not be deemed an event of default under the Bond Ordinance, and the sole remedy under the Agreement in the event of any failure of the Issuer to comply with the Agreement 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 Agreement, 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 Agreement 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](mailto: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](mailto:nrmsir_repository@sandp.com)

Interactive Data Pricing and Reference Data, Inc.  
Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, New York 10038-4561  
Telephone: (212) 771-6999  
Fax: (212) 771-7390  
Email: [Nrmsir@Interactivedata.com](mailto: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@dpdata.com](mailto:nrmsir@dpdata.com)

**EXHIBIT B**

**KISER LAW FIRM, PLLC**

812 GLENLAKE DRIVE  
EDMOND, OKLAHOMA 73013

TELEPHONE 405-751-4299

We have acted as bond counsel in connection with the issuance by the City of Broken Arrow, Oklahoma (the "Issuer") of \$1,000,000 General Obligation Bonds, Series 2009A, dated March 1, 2009 and \$11,400,000 General Obligation Bonds, Series 2009B, dated March 1, 2009 (collectively, the "Bonds"). We have examined the law and such certified proceedings and other papers, as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified 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, under existing law, as follows:

1. The Bonds are valid and binding obligations of the Issuer.
2. All taxable property within the territorial boundaries of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer has provided for the collection of an annual tax sufficient to pay the interest on the Bonds as it becomes due and also to constitute a sinking fund for the payment of the principal thereof according to law.
3. 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 Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. 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.

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

4. Interest on the Bonds is exempt from State of Oklahoma income taxation.

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,