

Dated March 24, 2009

Ratings:
S&P: "AAA/AA-" upgrade
Fitch: "AAA/AA-"
(See "OTHER INFORMATION -
Ratings" and "BOND
INSURANCE" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the School Building Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS

SAN ANGELO INDEPENDENT SCHOOL DISTRICT
(Tom Green County, Texas)
\$116,999,985

Unlimited Tax School Building Bonds, Series 2009-A

Interest Accrual: From Delivery Date

Due: As shown on Page 2

PAYMENT TERMS . . . The \$116,999,985 Unlimited Tax School Building Bonds, Series 2009-A (the "School Building Bonds") will be issued in part as current interest bonds (the "Current Interest Bonds") and in part as premium capital appreciation bonds (the "Premium Capital Appreciation Bonds"), as shown on Page 2 hereof. Interest on the Current Interest Bonds will accrue from April 23, 2009 (the "Delivery Date") and will have an initial interest payment on May 1, 2009. After the initial interest payment on May 1, 2009, interest will be payable on February 15 and August 15 of each year commencing on February 15, 2010, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Premium Capital Appreciation Bonds will accrete from the Delivery Date and such interest will compound semiannually on February 15 and August 15 of each year, commencing on August 15, 2009 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of, premium, if any, and accreted/compounded interest on the Premium Capital Appreciation Bonds (the "Maturity Amount") is payable only at maturity. The Current Interest Bonds will be issued as fully registered obligations in denominations of \$5,000 of principal amount or any integral multiple thereof for any one stated maturity, and the Premium Capital Appreciation Bonds will be issued in denominations of integral multiples of \$5,000 of the Maturity Amount within a maturity. The definitive School Building Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the School Building Bonds may be acquired in authorized denominations thereof. **No physical delivery of the School Building Bonds will be made to the beneficial owners thereof.** The principal and Maturity Amounts of the School Building Bonds and interest on the Current Interest Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the School Building Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The School Building Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, Chapter 1371 of the Texas Government Code, as amended, an election held on November 4, 2008 and passed by a majority of the participating voters, and an order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the San Angelo Independent School District (the "District") in which the Board delegated to each of the Superintendent of Schools and the Assistant Superintendent of Business Support Services of the District authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and the Pricing Certificate are jointly referred to as the "Order"). The School Building Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the School Building Bonds will be used (1) to construct, equip and renovate school buildings and (2) to pay the costs associated with the sale of the School Building Bonds.

ASSURED GUARANTY The scheduled payment of principal of and interest on the School Building Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the School Building Bonds by Assured Guaranty Corp. ("Assured Guaranty"). See "BOND INSURANCE" and "APPENDIX D - Specimen of Bond Insurance Policy" herein.

SEPARATE ISSUES . . . The School Building Bonds are being offered by the District concurrently with its Unlimited Tax Refunding Bonds, Series 2009-B (the "Refunding Bonds"), under a common Official Statement, and the School Building Bonds and Refunding Bonds are hereinafter sometimes referred to collectively as the "Bonds." The School Building Bonds and the Refunding Bonds are separate and distinct securities offerings being issued and sold independently except for the Official Statement, and, while the School Building Bonds and Refunding Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the date of accrual and payment of interest for the obligations being offered, the redemption provisions and the tax treatment of interest for federal income tax purposes.

MATURITY SCHEDULE

See Schedule on Page 2

SOUTHWEST SECURITIES

RBC CAPITAL MARKETS
WACHOVIA BANK, NATIONAL ASSOCIATION

EDWARD JONES

MORGAN KEEGAN & Co., INC.
RAYMOND JAMES & ASSOCIATES, INC.

LEGALITY . . . The School Building Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, “Forms of Bond Counsel’s Opinions”). Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

DELIVERY . . . It is expected that the School Building Bonds will be available for delivery through DTC on April 23, 2009.

MATURITY SCHEDULE

CUSIP⁽¹⁾ Prefix: 796116

\$116,999,985

Unlimited Tax School Building Bonds, Series 2009-A

\$2,414,985 Premium Capital Appreciation Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Initial Offering Price per \$5,000 Amount</u>	<u>Initial Yield to Maturity</u>	<u>Total Payment at Maturity</u>	<u>CUSIP⁽¹⁾ Suffix</u>
2/15/2011	\$ 1,261,162.50	\$ 4,822.95	2.000%	\$ 1,625,000.00	PZ8
2/15/2012	1,153,822.50	4,675.65	2.400%	1,710,000.00	QA2

(Interest to accrete from the Delivery Date)

\$114,585,000 Current Interest Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP⁽¹⁾ Suffix</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP⁽¹⁾ Suffix</u>
2/15/2013	\$ 1,730,000	3.000%	2.400%	QB0	2/15/2021	\$ 4,235,000	4.500%	4.250% ⁽²⁾	QK0
2/15/2014	1,790,000	3.000%	2.800%	QC8	2/15/2022	4,900,000	4.500%	4.400% ⁽²⁾	QL8
2/15/2015	1,865,000	3.500%	3.050%	QD6	2/15/2023	5,150,000	5.250%	4.540% ⁽²⁾	QM6
2/15/2016	1,950,000	4.000%	3.270%	QE4	2/15/2024	5,425,000	5.250%	4.670% ⁽²⁾	QN4
2/15/2017	3,120,000	5.000%	3.500%	QF1	2/15/2025	5,715,000	5.250%	4.810% ⁽²⁾	QP9
2/15/2018	3,675,000	5.000%	3.690%	QG9	2/15/2026	6,025,000	5.250%	4.910% ⁽²⁾	QQ7
2/15/2019	3,865,000	5.000%	3.890%	QH7	2/15/2027	6,350,000	5.250%	5.010% ⁽²⁾	QR5
2/15/2020	3,250,000	4.250%	4.080% ⁽²⁾	RG8	2/15/2028	6,685,000	5.000%	5.110%	QS3
2/15/2020	800,000	5.000%	4.080% ⁽²⁾	QJ3	2/15/2029	7,025,000	5.000%	5.170%	QT1
					2/15/2030	7,385,000	5.000%	5.230%	QU8

\$15,950,000 5.125% Term Bonds due February 15, 2032 Priced to Yield 5.320% – CUSIP⁽¹⁾ Suffix: QV6

\$17,695,000 5.250% Term Bonds due February 15, 2034 Priced to Yield 5.380% – CUSIP⁽¹⁾ Suffix: QW4

(Interest to accrue from the Delivery Date)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor, nor the Underwriters take any responsibility for the selection of the accuracy of CUSIP numbers shown herein.

(2) Yield shown is yield to first call date, February 15, 2019.

OPTIONAL REDEMPTION OF THE SCHOOL BUILDING BONDS . . . The District reserves the right, at its option, to redeem Current Interest Bonds of the School Building Bonds having stated maturities on and after February 15, 2020, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption of the School Building Bonds”).

The Premium Capital Appreciation Bonds of the School Building Bonds are not subject to redemption prior to maturity.

MANDATORY SINKING FUND REDEMPTION OF THE SCHOOL BUILDING BONDS . . . The Term Bonds maturing on February 15, 2032 and February 15, 2034 are subject to mandatory redemption prior to maturity on the dates and in the amounts described herein under “THE BONDS – Mandatory Sinking Fund Redemption of the School Building Bonds”.

(See "Continuing Disclosure Information" herein)

Dated March 24, 2009

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Refunding Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

SAN ANGELO INDEPENDENT SCHOOL DISTRICT

(Tom Green County, Texas)

\$4,089,999.80

Unlimited Tax Refunding Bonds, Series 2009-B


Interest Accrual: From Delivery Date

Due: As shown on Page 4

PAYMENT TERMS . . . The \$4,089,999.80 Unlimited Tax Refunding Bonds, Series 2009-B (the "Refunding Bonds") will be issued in part as current interest bonds (the "Current Interest Bonds") and in part as premium capital appreciation bonds (the "Premium Capital Appreciation Bonds"), as shown on Page 4 hereof. Interest on the Current Interest Bonds will accrue from April 23, 2009 (the "Delivery Date") and will be payable February 15 and August 15 of each year commencing August 15, 2009, until maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Premium Capital Appreciation Bonds will accrete from the Delivery Date and be paid on August 15, 2009, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of, premium, if any, and accreted/compounded interest on the Premium Capital Appreciation Bonds (the "Maturity Amount") is payable only at maturity. The Current Interest Bonds will be issued as fully registered obligations in denominations of \$5,000 of principal amount or any integral multiple thereof for any one stated maturity, and the Premium Capital Appreciation Bonds will be issued in denominations of integral multiples of \$5,000 of the Maturity Amount. The definitive Refunding Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Refunding Bonds may be acquired in authorized denominations thereof. **No physical delivery of the Refunding Bonds will be made to the beneficial owners thereof.** The principal of, premium, if any, and Maturity Amount of the Refunding Bonds and interest on the Current Interest Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Refunding Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Refunding Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207 of the Texas Government Code, as amended, and an order adopted by the Board of Trustees (the "Board") of the San Angelo Independent School District (the "District") in which the Board delegated to each of the Superintendent of Schools and the Assistant Superintendent of Business Support Services of the District authority to complete the sale of the Refunding Bonds through the execution of a "Pricing Certificate" (the Bond Order and the Pricing Certificate are jointly referred to as the "Order"). The Refunding Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Refunding Bonds will be used (1) to refund the District's Unlimited Tax School Building Bonds, Series 1997 and (2) to pay the costs associated with the sale of the Refunding Bonds.

 The scheduled payment of principal of and interest on the Refunding Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Refunding Bonds by Assured Guaranty Corp. ("Assured Guaranty"). See "BOND INSURANCE" and "APPENDIX D - Specimen of Bond Insurance Policy" herein.

SEPARATE ISSUES . . . The Refunding Bonds are being offered by the District concurrently with its Unlimited Tax School Building Bonds, Series 2009-A (the "School Building Bonds"), under a common Official Statement, and the Refunding Bonds and School Building Bonds are hereinafter sometimes referred to collectively as the "Bonds." The Refunding Bonds and School Building Bonds are separate and distinct securities offerings being issued and sold independently except for the Official Statement, and, while the Refunding Bonds and School Building Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the date of accrual and payment of interest for the obligations being offered, the redemption provisions and the tax treatment of interest for federal income tax purposes.

MATURITY SCHEDULE
See Schedule on Page 4

SOUTHWEST SECURITIES

RBC CAPITAL MARKETS
WACHOVIA BANK, NATIONAL ASSOCIATION

MORGAN KEEGAN & CO., INC.
RAYMOND JAMES & ASSOCIATES, INC.

EDWARD JONES

LEGALITY . . . The Refunding Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, “Forms of Bond Counsel's Opinions”). Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on April 23, 2009.

MATURITY SCHEDULE

CUSIP⁽¹⁾ Prefix: 796116

\$4,089,999.80

Unlimited Tax Refunding Bonds, Series 2009-B

\$4,999.80 Premium Capital Appreciation Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Initial Offering Price per \$5,000 Amount</u>	<u>Initial Yield to Maturity</u>	<u>Total Payment at Maturity</u>	<u>CUSIP⁽¹⁾ Suffix</u>
8/15/2009	\$ 4,999.80	\$ 4,975.20	1.600%	\$ 65,000.00	QX2

(Interest to accrete from the Date of Delivery)

\$4,085,000 Current Interest Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP⁽¹⁾ Suffix</u>
2/15/2010	\$ 450,000	2.000%	1.250%	QY0
2/15/2011	460,000	2.000%	1.650%	QZ7
2/15/2012	475,000	3.000%	1.980%	RA1
2/15/2013	495,000	3.000%	2.400%	RB9
2/15/2014	515,000	3.000%	2.800%	RC7
2/15/2015	540,000	3.000%	3.050%	RD5
2/15/2016	560,000	3.500%	3.270%	RE3
2/15/2017	590,000	3.500%	3.500%	RF0

(Interest to accrue from the Delivery Date)

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OPTIONAL REDEMPTION OF THE REFUNDING BONDS . . . The Refunding Bonds are not subject to redemption prior to maturity.

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and "APPENDIX D – Specimen of Bond Insurance Policy"

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NEITHER THE DISTRICT, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM OR THE INFORMATION REGARDING ASSURED GUARANTY OR ITS POLICY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY AND ASSURED GUARANTY, RESPECTIVELY.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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The cover page hereof, this page, the schedules and appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT..... The District is a political subdivision located in Tom Green County, Texas. The District is approximately 205.69 square miles in area (see “INTRODUCTION - Description of the District”).

THE BONDS The \$116,999,985 Unlimited Tax School Building Bonds, Series 2009-A (the “School Building Bonds”) are issued in part as Premium Capital Appreciation Bonds maturing on February 15 in the years 2011 and 2012; in part as serial Current Interest Bonds maturing on February 15 in the years 2013 through 2030; and in part as current interest term bonds (the “Term Bonds”) maturing on February 15 in the years 2032 and 2034 (see “THE BONDS - Description of the School Building Bonds”).

The \$4,089,999.80 Unlimited Tax Refunding Bonds, Series 2009-B (the “Refunding Bonds”) are issued in part as Premium Capital Appreciation Bonds maturing on August 15, 2009; and in part as serial Current Interest Bonds maturing on February 15 in the years 2010 through 2017 (see “THE BONDS - Description of the Bonds”).

PAYMENT OF INTEREST ON THE SCHOOL BUILDING BONDS Interest on the Current Interest Bonds for the School Building Bonds accrues from April 23, 2009 (the “Delivery Date”) and will have an initial interest payment on May 1, 2009. After the initial interest payment on May 1, 2009, interest will be payable on February 15 and August 15 of each year commencing on February 15, 2010, until maturity or prior redemption. Interest on the Premium Capital Appreciation Bonds for the School Building Bonds will accrete from the Delivery Date, and such interest will compound semiannually on February 15 and August 15 of each year, commencing on August 15, 2009. The accreted interest on the Premium Capital Appreciation Bonds is payable only at maturity (see “THE BONDS - Description of the Bonds”).

PAYMENT OF INTEREST ON THE REFUNDING BONDS Interest on the Current Interest Bonds for the Refunding Bonds accrues from the Delivery Date, and is payable August 15, 2009 and each February 15 and August 15 thereafter until maturity. Interest on the Premium Capital Appreciation Bonds for the Refunding Bonds will accrete from the Delivery Date and be paid on August 15, 2009. The accreted interest on the Premium Capital Appreciation Bonds is payable only at maturity (see “THE BONDS - Description of the Bonds”).

AUTHORITY FOR ISSUANCE..... The School Building Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, Chapter 1371 of the Texas Government Code, as amended, an election held in the District on November 4, 2008 and an order (the “Bond Order”) passed by the Board. The Refunding Bonds are being issued pursuant to the Constitution and general laws of the State, including Chapter 1207 of the Texas Government Code, as amended and the Bond Order. In the Bond Order, the Board delegated to each of the Superintendent of Schools and the Assistant Superintendent of Business Support Services of the District, pursuant to certain provisions of Chapters 1207 and 1371 of the Texas Government Code, as amended, authority to complete the sale of the Bonds. The terms of the sale are included in a “Pricing Certificate,” which completes the sale of the Bonds (see “THE BONDS - Authority for Issuance”).

SECURITY FOR THE BONDS The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see “THE BONDS - Security and Source of Payment” and “Bond Insurance” herein).

BOND INSURANCE..... The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. (see “BOND INSURANCE”, “BOND INSURANCE RISKS” and “Appendix D – Specimen of Bond Insurance Policy” herein).

OPTIONAL REDEMPTION OF THE SCHOOL BUILDING BONDS The District reserves the right, at its option, to redeem Current Interest Bonds for the School Building Bonds having stated maturities on and after February 15, 2020, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Term Bonds maturing on February 15 in the years 2032 and 2034 are subject to mandatory sinking fund redemption prior to maturity at a price of par plus accrued interest to the redemption date (see “THE BONDS – Mandatory Sinking Fund Redemption of the School Building Bonds”).

The Premium Capital Appreciation Bonds for the School Building Bonds are not subject to redemption prior to maturity.

OPTIONAL REDEMPTION OF THE REFUNDING BONDS.....

The Refunding Bonds are not subject to redemption prior to maturity.

TAX EXEMPTION.....

In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including, in the case of the Refunding Bonds, a description of the alternative minimum tax consequences for corporations.

USE OF PROCEEDS.....

Proceeds from the sale of the School Building Bonds will be used (1) to construct, equip and renovate school buildings and (2) to pay the costs associated with the sale of the School Building Bonds. Proceeds from the sale of the Refunding Bonds will be used (1) to refund the District's Unlimited Tax School Building Bonds, Series 1997 (the "Refunded Bonds") and (2) to pay the costs associated with the sale of the Refunding Bonds (see "PLAN OF FINANCING – Sources and Uses of Proceeds").

RATINGS.....

The Bonds are rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and "AAA" by Fitch, Inc. ("Fitch") by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Corp. The Bonds and the presently outstanding tax supported debt of the District are rated "AA-" (upgrade) by S&P and "AA-" by Fitch without regard to credit enhancement. The District also has issues outstanding which are rated "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM.....

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and Maturity Amount of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD.....

The District has not defaulted since 1939 when defaults were corrected without refunding.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated District Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Tax Debt Outstanding at Fiscal Year End	Per Capita Tax Supported Debt	Ratio Tax Supported Debt to Taxable Assessed Valuation ⁽³⁾	% of Total Tax Collections ⁽⁴⁾
2005	91,000	\$ 2,179,369,700	\$ 23,949	\$ 29,024,991	\$ 319	1.33%	99.49%
2006	90,000	2,318,913,431	25,766	27,043,082	300	1.17%	99.93%
2007	90,000	2,567,976,619	28,533	25,195,000	280	0.98%	99.41%
2008	90,000	2,706,478,834	30,072	23,135,000	257	0.85%	99.54%
2009	90,000	2,907,082,284	32,301	138,004,985 ⁽³⁾	1,533 ⁽³⁾	4.75% ⁽³⁾	87.12% ⁽⁴⁾

(1) Source: The District.

(2) As reported by the Tom Green County Appraisal District on the District's annual State Property Tax Reports and such values are subject to change during ensuing year.

(3) Projected, includes the School Building Bonds and the Refunding Bonds but excludes the Refunded Bonds.

(4) Partial year collections through January 31, 2009.

For additional information regarding the District, please contact:

Jeff Bright
 Assistant Superintendent,
 Business & Support Services
 San Angelo Independent School District
 1621 University Drive
 San Angelo, Texas 76904
 (325) 947-3838 x.767

Jeff Robert
 Senior Vice President
 First Southwest Company
 325 N. St. Paul Street, Ste. 800
 Dallas, Texas 75201
 (214) 953-8744

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Board of Trustees</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Lanny Layman President	6 Years	May, 2011	Manager, A-B Distributing Co.
Daniel Baker Vice President	5 Years	May, 2009	Owner/Operator, Regal Oil/Star Stop Food Mart
Max Parker Secretary	3 Years	May, 2011	Attorney
Tim Archer Treasurer	7 Years	May, 2010	Owner/Manager, Archer Floor Covering
Art Hernandez Boardmember	2 Years	May, 2009	Funeral & Cemetery Family Services Counselor
Gerard Gallegos Boardmember	3 Years	May, 2011	Access Billing Representative, Verizon Inc.
Cookie Roberts Boardmember	1 Year	May, 2010	Property Manager

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service in Current Position</u>	<u>Total School District Service</u>
Dr. Carol Ann Bonds	Superintendent of Schools	2 Years	29 Years
Jeff Bright	Assistant Superintendent of Business & Support Services	5 Years	21 Years
Hope Flores	Director of Financial Services	10 Years	10 Years
Denise Huffman	Comptroller	6 Years	12 Years

CONSULTANTS AND ADVISORS

Auditors Webb and Webb CPA
 San Angelo, Texas

Bond Counsel Fulbright & Jaworski L.L.P.
 Dallas, Texas

Financial Advisor First Southwest Company
 Dallas, Texas

**OFFICIAL STATEMENT
RELATING TO**

**SAN ANGELO INDEPENDENT SCHOOL DISTRICT
(Tom Green County, Texas)**

\$116,999,985
Unlimited Tax School Building Bonds, Series 2009-A

\$4,089,999.80
Unlimited Tax Refunding Bonds, Series 2009-B

INTRODUCTION

This Official Statement, which includes the Schedules and Appendices hereto, provides certain information regarding the issuance of \$116,999,985 Unlimited Tax School Building Bonds, Series 2009-A (the "School Building Bonds") and \$4,089,999.80 Unlimited Tax Refunding Bonds, Series 2009-B (the "Refunding Bonds") (collectively, the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (hereinafter defined) authorizing the issuance and sale of the Bonds, except as otherwise indicated herein.

There follow in this Official Statement descriptions of the Bonds and certain information regarding the San Angelo Independent School District (the "District") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, First Southwest Company, Dallas, Texas.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision located in Tom Green County, Texas. The District is governed by a seven-member Board of Trustees (the "Board") who serve staggered three-year terms with elections held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 205.69 square miles in Tom Green County, encompassing the City of San Angelo. For more information regarding the District, see "Appendix A - General Information Regarding the District."

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the School Building Bonds will be used (1) to construct, equip and renovate school buildings and (2) to pay the costs associated with the sale of the School Building Bonds. Proceeds from the sale of the Refunding Bonds will be used (1) to refund the District's Unlimited Tax School Building Bonds, Series 1997 (the "Refunded Bonds") and (2) to pay the costs associated with the sale of the Refunding Bonds. See Schedule I for a detailed listing of the Refunded Bonds and their call date.

REFUNDED BONDS . . . The payments due on the Refunded Bonds are to be paid on the redemption date of such Refunded Bonds from funds to be deposited with Wells Fargo Bank, National Association, Austin, Texas (the "Escrow Agent"). The Order provides that from the proceeds of the sale of the Refunding Bonds received from the Underwriters, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held uninvested by the Escrow Agent in a special escrow account (the "Escrow Fund").

In accordance with the order authorizing the issuance of the Refunded Bonds, the District has given irrevocable instructions to the Escrow Agent to provide the required notice to the owners of the Refunded Bonds that the Refunded Bonds will be paid on or redeemed prior to their stated maturity on which date money will be made available to redeem the Refunded Bonds from money held in the Escrow Fund, and the Escrow Agent has certified that it has provided such notice.

By the deposit of the proceeds of the Refunding Bonds with the Escrow Agent pursuant to the District will have effected the defeasance of the Refunded Bonds in accordance with State law. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt. The Escrow Agent in its capacity a paying agent for the Refunded Bonds will provide a sufficiency certificate as to the sufficiency of funds to be deposited with the Escrow Agent for the redemption of the Refunded Bonds.

The District will make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to make payments on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the School Building Bonds will be applied approximately as follows:

<u>Sources of Funds</u>	
Par Amount of the School Building Bonds	\$ 116,999,985.00
Plus: Reoffering Premium	2,009,444.15
Total Sources of Funds	<u>\$ 119,009,429.15</u>
<u>Uses of Funds</u>	
Deposit to Project Construction Fund	\$ 117,000,000.00
Deposit of Capitalized Interest and Rounding Amount to Debt Service Fund	202,579.37
Underwriters' Discount and Costs of Issuance ⁽¹⁾	1,806,849.78
Total Uses of Funds	<u>\$ 119,009,429.15</u>

The proceeds from the sale of the Refunding Bonds will be applied approximately as follows:

<u>Sources of Funds</u>	
Par Amount of the Refunding Bonds	\$ 4,089,999.80
Plus: Reoffering Premium	100,082.10
Total Sources of Funds	<u>\$ 4,190,081.90</u>
<u>Uses of Funds</u>	
Deposit to Current Refunding Fund	\$ 4,129,742.46
Deposit of Rounding Amount to Debt Service Fund	2,232.89
Underwriters' Discount and Costs of Issuance ⁽¹⁾	58,106.55
Total Uses of Funds	<u>\$ 4,190,081.90</u>

(1) Includes bond insurance premium.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated March 15, 2009. The Current Interest Bonds for the School Building Bonds will accrue interest from the April 23, 2009 (the "Delivery Date"), and will have an initial interest payment on May 1, 2009. After the initial interest payment on May 1, 2009, such interest on the School Building Current Interest Bonds will be payable on February 15 and August 15 of each year commencing on February 15, 2010, until maturity or prior redemption. The Current Interest Bonds for the Refunding Bonds will accrue interest from the Delivery Date, and such interest is payable on February 15 and August 15 in each year, commencing on August 15, 2009, until maturity. Interest on the Premium Capital Appreciation Bonds for the School Building Bonds will accrue from the Delivery Date and such interest will compound semiannually on each February 15 and August 15, commencing August 15, 2009 (the "Accretion Dates"). Interest on the Premium Capital Appreciation Bonds for the Refunding Bonds will accrue from the date of their delivery to the Underwriters and be paid on August 15, 2009. Such interest on the Premium Capital Appreciation Bonds for both series will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of the Premium Capital Appreciation Bonds for both series, the initial premium thereon, if any, and accreted/compounded interest to maturity (the "Maturity Amount") is payable only at maturity. The Current Interest Bonds for both series will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on pages 2 and 4 of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Premium Capital Appreciation Bonds for both series will mature on the dates, in the Maturity Amounts and interest will accrete thereon at the approximate yields based upon the initial offering prices to the public, which are set forth on pages 2 and 4 of this Official Statement.

Interest on the Current Interest Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Current Interest Bonds is payable at maturity or upon redemption prior to maturity (with respect to the Current Interest School Building Bonds) upon their presentation and surrender to the Paying Agent/Registrar. The Maturity Amount of the Premium Capital Appreciation Bonds is payable only at maturity upon their presentation and surrender to the Paying Agent/Registrar. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Bonds will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. The Current Interest Bonds will be issued in denominations of \$5,000 of principal amount or any integral thereof within a maturity. The Premium Capital Appreciation Bonds will be issued in denominations of \$5,000 of Maturity Amount or any integral multiple thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Maturity Amounts of the Premium Capital Appreciation Bonds and the principal of and interest on the Current Interest Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS - Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The School Building Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, Chapter 1371 of the Texas Government Code, as amended, an election held in the District on November 4, 2008 and an order (the “Bond Order”) passed by the Board. The Refunding Bonds are being issued pursuant to the Constitution and general laws of the State, including Chapter 1207 of the Texas Government Code, as amended and the Bond Order.

In the Bond Order, the Board delegated to each of the Superintendent of Schools and the Assistant Superintendent of Business Support Services of the District, pursuant to certain provisions of Chapters 1207 and 1371 of the Texas Government Code, as amended, authority to complete the sale of the Bonds. The terms of the sale are included in a “Pricing Certificate,” which completes the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the “Order”).

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on all Bonds.

OPTIONAL REDEMPTION OF THE SCHOOL BUILDING BONDS . . . The District reserves the right, at its option, to redeem Current Interest Bonds of the School Building Bonds having stated maturities on and after February 15, 2020, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

The Premium Capital Appreciation Bonds of the School Building Bonds are not subject to redemption prior to maturity.

MANDATORY SINKING FUND REDEMPTION OF THE SCHOOL BUILDING BONDS . . . The Term Bonds maturing on February 15 in the years 2032 and 2034 (the “Term Bonds”) are subject to mandatory redemption prior to maturity at a price of par plus accrued interest to the redemption date as follows:

Bonds Maturing February 15, 2032		Bonds Maturing February 15, 2034	
Redemption		Redemption	
Date	Amount	Date	Amount
2/15/2031	\$ 7,770,000	2/15/2033	\$ 8,615,000
2/15/2032 ⁽¹⁾	8,180,000	2/15/2034 ⁽¹⁾	9,080,000

(1) Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the District, by the principal amount of Term Bonds of like Stated Maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement

OPTIONAL REDEMPTION OF THE REFUNDING BONDS . . . The Refunding Bonds are not subject to redemption prior to maturity.

NOTICE OF REDEMPTION OF THE SCHOOL BUILDING CURRENT INTEREST BONDS . . . Not less than 30 days prior to a redemption date for the Current Interest Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Current Interest Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day

next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE CURRENT INTEREST BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CURRENT INTEREST BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CURRENT INTEREST BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Current Interest Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Current Interest Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Current Interest Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Current Interest Bonds have not been redeemed.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption (with respect to the School Building Current Interest Bonds), notice of proposed amendment to the Order or other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Current Interest Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Current Interest Bonds by the District will reduce the outstanding principal amount of such Current Interest Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Current Interest Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Current Interest Bonds from the beneficial owners. Any such selection of Current Interest Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Current Interest Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Current Interest Bonds for redemption (see "THE BONDS - Book-Entry-Only System").

DEFEASANCE . . . The Order provides for the defeasance of the Bonds of each series when the payment of the principal or Maturity Amount of and premium, if any, on the Bonds, plus interest on the Current Interest Bonds to the due date thereof, is provided by irrevocably depositing with a paying agent or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Order provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid.

Upon such deposit as described above, such defeased Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those School Building Current Interest Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the School Building Current Interest Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the School Building Current Interest Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS . . . The District may amend the Order without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal

amount and Maturity Amount of each series of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without consent of the registered owners of all of the Bonds outstanding, no such amendment, addition or rescission may (1) extend the time or times of payment of the principal or Maturity Amount, as the case may be, of and interest on the Bonds, reduce the principal amount or Maturity Amount, as the case may be, thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal or Maturity Amount, as the case may be, of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount or Maturity Amount, as the case may be, of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal and Maturity Amount of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds or any notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds) any notices to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for each series of 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 representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount or Maturity Amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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 School Building Current Interest Bonds within a maturity 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. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds of each series 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 District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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 District or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued for one or both series of Bonds, printed certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for each series of the Bonds is U.S. Bank National Association, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds of each series are duly paid, and any successor Paying Agent/Registrar shall be a bank or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds of the appropriate series by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Current Interest Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal and Maturity Amounts of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption (with respect to the School Building Current Interest Bonds) upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. So long as Cede & Co. is the registered owner of the Bonds, payments on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System," above.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued for one or both series of Bonds, printed Bond certificates will be delivered to registered owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount or Maturity Amount, as the case may be, as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any School Building Current Interest Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a School Building Current Interest Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Current Interest Bonds on any interest payment date means the close of business on the last business day of the preceding month. Therefore, the record date for the interest payable on the School Building Current Interest Bonds on May 1, 2009 means the close of business on the day prior (April 30, 2009).

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Current Interest Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

YIELD ON PREMIUM CAPITAL APPRECIATION BONDS . . . The "Accreted Value" for the Premium Capital Appreciation Bonds means the original principal amount of a Premium Capital Appreciation Bond plus the initial premium, if any, paid therefor with interest thereon compounded semiannually to February 15 or August 15, as the case may be, next preceding the date of such calculation (or the date of calculation, if such calculation is made on February 15 or August 15), using the respective yield to maturity stated on pages 2 and 4. Based on the initial offering prices for the Premium Capital Appreciation Bonds, schedules of Accreted Value per \$5,000 Maturity Amount on the respective Accretion Dates, using the yields stated on pages 2 and 4 of this Official Statement, are set forth in Schedule II attached hereto. Such Accreted Value table is provided for informational purposes only and may not reflect prices for the Premium Capital Appreciation Bonds in the secondary market. The respective yields on the Premium Capital Appreciation Bonds to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the Premium Capital Appreciation Bonds, have traditionally experienced greater price fluctuation in the secondary market than securities that pay interest on a periodic basis.

BONDHOLDERS' REMEDIES . . . If the District defaults in the payment of principal, Maturity Amount, interest, or redemption price on the Bonds of a series when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but the District has not waived sovereign immunity in connection with the issuance of the Bonds. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the

District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

BOND INSURANCE

The following information is not complete and reference is made to Appendix D for a specimen of the financial guaranty insurance policy (the “Policy”) of Assured Guaranty Corp. (“Assured Guaranty” or the “Insurer”). The information contained or referred to in this Official Statement relating to Assured Guaranty and the Policy has been provided by Assured Guaranty. Such information has not been independently verified by the District or the Underwriters and is not guaranteed as to completeness or accuracy by the District or the Underwriters and is not to be construed as a representation of the District or the Underwriters.

THE INSURANCE POLICY

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the “Insured Payments”). Insured Payments shall not include any additional amounts owing by the District solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

“Due for Payment” means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

“Nonpayment” means the failure of the District to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the District, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

THE INSURER

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" (stable) by Fitch, Inc. ("Fitch") and "Aa2" (stable) by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

On November 14, 2008, AGL announced that it had entered into a definitive agreement to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see the Annual Report on Form 10-K filed by AGL with the Securities and Exchange Commission (the "SEC") on February 26, 2009.

Capitalization of Assured Guaranty Corp.

As of December 31, 2008, Assured Guaranty had total admitted assets of \$1,803,146,295 (unaudited), total liabilities of \$1,425,012,944 (unaudited), total surplus of \$378,133,351 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,090,288,113 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of \$1,361,538,502 (audited), total liabilities of \$961,967,238 (audited), total surplus of \$399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of \$982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE - The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450

Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE".

BOND INSURANCE RISK FACTORS

It should be noted that the state of the financial guaranty insurance industry is under stress with multiple financial guaranty insurers having been downgraded. Further downgrades of certain financial guaranty insurers could occur, including the Insurer. Any changes in the rating of the Insurer could have a material adverse impact on the price of the Bonds as well as affect the liquidity of such securities. The District has no obligation to maintain the rating on the Bonds after delivery of the Bonds to the Underwriters (see "BOND INSURANCE" herein).

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the Order. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "OTHER INFORMATION – Ratings" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Bond owners may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

RECENT LITIGATION RELATING TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM

On April 9, 2001, four property wealthy districts filed suit in the 250th District Court of Travis County, Texas (the "District Court") against the Texas Education Agency, the Texas State Board of Education, the Texas Commissioner of Education (the "Commissioner") and the Texas Comptroller of Public Accounts in a case styled *West Orange-Cove Consolidated Independent School District, et al. v. Neeley, et al.* The plaintiffs alleged that the \$1.50 maximum maintenance and operations tax rate had become in effect a state property tax, in violation of Article VIII, Section 1-e of the Texas Constitution, because it precluded them and other school districts from having meaningful discretion to tax at a lower rate. Forty school districts intervened alleging that the Texas public school finance system (the "Finance System") was inefficient, inadequate, and unsuitable, in violation of Article VII, Section 1 of the Texas Constitution, because the State of Texas (the "State") did not provide adequate funding. As described below, this case has twice reached the Texas Supreme Court (the "Supreme Court"), which rendered decisions in the case on May 29, 2003 ("West Orange-Cove I") and November 22, 2005 ("West Orange-Cove II"). After the remand by the Supreme Court back to the District Court in West Orange-Cove I, 285 other school districts were added as plaintiffs or intervenors. The plaintiffs joined the intervenors in their Article VII, Section 1 claims that the Finance System was inadequate and unsuitable, but not in their claims that the Finance System was inefficient.

On November 30, 2004, the final judgment of the District Court was released in connection with its reconsideration of the issues remanded to it by the Supreme Court in West Orange-Cove I. In that case, the District Court rendered judgment for the plaintiffs on all of their claims and for the intervenors on all but one of their claims, finding that (1) the Finance System was unconstitutional in that the Finance System violated Article VIII, Section 1-e of the Texas Constitution because the statutory limit of \$1.50 per \$100.00 of taxable assessed valuation on property taxes levied by school districts for maintenance and operation purposes had become both a floor and a ceiling, denying school districts meaningful discretion in setting their tax rates; (2) the constitutional mandate of adequacy set forth in Article VII, Section 1, of the Texas Constitution exceeded the maximum amount of funding available under the funding formulas administered by the State; and (3) the Finance System was financially inefficient, inadequate, and unsuitable in that it failed to provide sufficient access to revenue to provide for a general diffusion of knowledge as required by Article VII, Section 1, of the Texas Constitution.

As stated above, in West Orange-Cove I the plaintiff school districts asserted that the \$1.50 per \$100.00 of taxable assessed valuation tax that was generally authorized by State law to be levied for school maintenance and operations purposes (the "M&O Tax"), though imposed locally, had become in effect a State property tax prohibited by Article VIII, Section 1-e of the Texas Constitution. The intervening school district groups contended that funding for school operations and facilities was inefficient in violation of Article VII, Section 1 of the Texas Constitution, because children in property-poor districts did not have substantially equal access to education revenue. All of the plaintiff and intervenor school districts asserted that the Finance System could not achieve "a general diffusion of knowledge" as required by Article VII, Section 1 of the Texas Constitution, because the system was underfunded. The State, represented by the Texas Attorney General, made a number of arguments opposing the positions of the school districts, as well as asserting that school districts did not have standing to challenge the State in these matters.

In West Orange-Cove II, the Supreme Court's holding was twofold: (1) that the local M&O Tax had become a state property tax in violation of Article VIII, Section 1-e of the Texas Constitution and (2) the deficiencies in the Finance System did not amount to a violation of Article VII, Section 1 of the Texas Constitution. In reaching its first holding, the Supreme Court relied on evidence presented in the District Court to conclude that school districts did not have meaningful discretion in levying the M&O Tax. In reaching its second holding, the Supreme Court, using a test of arbitrariness determined that: the public education system was "adequate," since it is capable of accomplishing a general diffusion of knowledge; the Finance System was not "inefficient," because school districts have substantially equal access to similar revenues per pupil at similar levels of tax effort, and efficiency does not preclude supplementation of revenues with local funds by school districts; and the Finance System does not violate the constitutional requirement of "suitability," since the system was suitable for adequately and efficiently providing a public education.

In reversing the District Court's holding that the Finance System was unconstitutional under Article VII, Section 1 of the Texas Constitution, the Supreme Court stated:

Although the districts have offered evidence of deficiencies in the public school finance system, we conclude that those deficiencies do not amount to a violation of Article VII, Section 1. We remain convinced, however, as we were sixteen years ago, that defects in the structure of the public school finance system expose the system to constitutional challenge. Pouring more money into the system may forestall those challenges, but only for a time. They will repeat until the system is overhauled.

In response to the intervenor districts' contention that the Finance System was constitutionally inefficient, the West Orange-Cove II decision states that the Texas Constitution does not prevent the Finance System from being structured in a manner that results in gaps between the amount of funding per student that is available to the richest districts as compared to the poorest district, but reiterated its statements in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995) ("Edgewood IV") that such funding variances may not be unreasonable. The Supreme Court further stated that "the standards of Article VII, Section 1 - adequacy, efficiency, and suitability - do not dictate a particular structure that a system of free public schools must have." The Supreme Court also noted that "efficiency requires only substantially equal access to revenue for facilities necessary for an adequate system," and the Supreme Court agreed with arguments put forth by the State that the plaintiffs had failed to present sufficient evidence to prove that there was an inability to provide for a "general diffusion of knowledge" without additional facilities.

FUNDING CHANGES IN RESPONSE TO WEST ORANGE-COVE II

In response to the decision in West Orange-Cove II, the Texas Legislature (the "Legislature") enacted House Bill 1 ("HB 1"), which made substantive changes in the way the Finance System is funded, as well as other legislation which, among other things, established a special fund in the Texas state treasury to be used to collect new tax revenues that are dedicated under certain conditions for appropriation by the Legislature to reduce M&O Tax rates, broadened the State business franchise tax, modified the procedures for assessing the State motor vehicle sales and use tax and increased the State tax on tobacco products (HB 1 and other described legislation are collectively referred to herein as the "Reform Legislation"). The Reform Legislation generally became effective at the beginning of the 2006-07 fiscal year of each district.

RECENT LITIGATION RELATING TO HB 1

On June 14, 2006, an entity called Citizens Lowering Our Unfair Taxes PAC ("CLOUT") filed a lawsuit (case number GN602156) in the 345th District Court (the "District Court") in Travis County, Texas against the Texas Lieutenant Governor, the Speaker of the Texas House of Representatives, the Texas Comptroller of Public Accounts, the State of Texas and the Legislative Budget Board (the "LBB" and, collectively with the other named defendants, the "State Defendants") in a case styled Edd Hendee, individually and as Executive Director of C.L.O.U.T. v. Dewhurst, et al. ("CLOUT Lawsuit No. 1"). The plaintiffs alleged that various violations of Article VIII, Section 22(a) of the Texas Constitution and Chapter 316 of the Texas Government Code had occurred and had resulted in unconstitutional and illegal spending by the State government, including the appropriations made for the Finance System under HB 1. (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - General")

for a discussion regarding HB 1). Among other things, the plaintiffs sought a declaratory judgment that the methodology used to establish the maximum amount of non-dedicated State revenues subject to appropriation in the 2006-2007 State biennium, and the amount appropriated by the Legislature in HB 1 to fund the Finance System during such biennium, violated Article VIII, Section 22(a), which provides that, unless a resolution is adopted by the Legislature to override the spending limit “[i]n no biennium shall the rate of growth of appropriations from state tax revenues not dedicated by this constitution exceed the estimated rate of growth of the state's economy”. A series of court decisions, appeals, and other legal actions pursued by both the plaintiffs and the State Defendants has most recently resulted in the Third Court of Appeals' decision on April 2, 2008 dismissing all of the plaintiff's causes of action alleged in the CLOUT Lawsuit No. 1 for lack of subject matter jurisdiction, save and except one allegation added during the appeal process claiming that the specific amount of the 2008-2009 State legislative appropriation from non-dedicated State tax revenues exceeds the 2008-2009 spending cap (the “CLOUT Lawsuit No. 2”). Thus, the matter remains pending. The District can make no representation or prediction concerning the outcome of the CLOUT Lawsuit No. 2 or its effects on the Finance System, and, consequently, its impact on the financial condition of the District. However, the District does not anticipate that the security for the payment of the Bonds would be affected as a result of the outcome of the CLOUT Lawsuit No. 2.

POSSIBLE EFFECTS OF LITIGATION AND CHANGES IN LAW ON DISTRICT BONDS

The Reform Legislation did not alter the provisions of Chapter 45, Texas Education Code, that authorizes districts to secure their bonds by pledging the receipts of an unlimited ad valorem debt service tax as security for payment of the Bonds. Reference is made, in particular, to the information under the headings “THE BONDS - Security and Source of Payment” in the Official Statement.

In the future, the Legislature could enact additional changes to the Finance System which could benefit or be a detriment to a school district depending upon a variety of factors, including the financial strategies that the district has implemented in light of past State funding systems. Among other possibilities, a district's boundaries could be redrawn, taxing powers restricted, State funding reallocated, or local ad valorem taxes replaced with State funding subject to biennial appropriation. In *Edgewood IV*, the Supreme Court stated that any future determination of unconstitutionality “would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions” (collectively, the “Contract Clauses”). Consistent with the Contract Clauses, in the exercise of its police powers, the State may make such modifications in the terms and conditions of contractual covenants related to the payment of the Bonds as are reasonable and necessary for the attainment of important public purposes.

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation or litigation, or how such legislation or future court orders may affect the District's financial condition, revenues or operations. While the disposition of any possible future litigation or the enactment of future legislation to address school funding in Texas could substantially adversely affect the financial condition, revenues or operations of the District, as noted herein, the District does not anticipate that the security for payment of the Bonds, would be adversely affected by any such litigation or legislation. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM.”

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

GENERAL

The following description of the Finance System includes material provisions of the Reform Legislation. For a more complete description of school finance and fiscal management in the State, reference is made to Vernon's Texas Codes Annotated, Education Code, Chapters 41 through 46, as amended.

The Reform Legislation, which generally became effective at the beginning of the 2006-07 fiscal year of each district, made substantive changes to the manner in which the Finance System is funded, but did not modify the basic structure of the Finance System. The changes to the manner in which the Finance System is funded are intended to reduce local M&O Tax rates by one third over two years, with M&O Tax levies declining by approximately 11% in fiscal year 2006-07 and approximately another 22% in fiscal year 2007-08. Additional State funding needed to offset local tax rate reductions must be generated by the modified State franchise, motor vehicle and tobacco taxes or any other revenue source appropriated by the Legislature. The Legislative Budget Board (“LBB”) projected that the Reform Legislation will be underfunded from the Reform Legislation revenue sources by a cumulative amount of \$25 billion over fiscal years 2006-07 through 2010-11, although State surpluses were appropriated to offset the revenue shortfall in fiscal year 2006-07 and for the 2008-09 State biennium, and the shortfall could be addressed in future years if the Reform Legislation, particularly the ad valorem tax compression measures of HB 1, should prove to be an economic stimulus for the State or if there is sustained growth in the economy of the State that generates greater State revenues than were originally forecast by the LBB.

Under the Finance System, school districts are guaranteed to receive State funding necessary to provide the district the greater of (A) the amount of State and local revenue per student for the district in the 2005-06 fiscal year, (B) the amount of State and local revenue per student the district would have been entitled to for the 2006-07 fiscal year based on the funding elements in place prior to the Reform Legislation using the M&O Tax rate the district adopted for the 2005-06 fiscal year, or (C) the amount of State and local revenue per student the district would have been entitled to for the 2006-07 fiscal year based on the funding elements in place prior to the Reform Legislation using an M&O Tax rate that would allow the district to maintain total revenue per student under the funding elements in place prior to the Reform Legislation. In addition to the greater of (A), (B) or (C), HB 1 provided a \$2,500 salary allotment to fund a salary increase for teachers and certain other employees and a high school student allotment of \$275 per student in average daily attendance for dropout prevention and college readiness programs. During the 2007 Regular Legislative Session, which convened on January 9, 2007 and adjourned on May 28, 2007, a new funding allotment was created and funded by the Legislature to provide an average \$425 salary increase for educators at each school district. State funds appropriated to provide districts the guaranteed amount may only be used for maintenance and operating purposes and not to fund facilities, debt service or other purposes. If a district adopts an M&O Tax rate in any fiscal year below a rate equal to the state compression percentage for the district in that year multiplied by the M&O Tax rate adopted by the district for the 2005-06 fiscal year, the district's guaranteed amount is reduced in a proportionate amount. If a district would receive more State and local revenue from the Tier One and Tier Two allotments and wealth equalization than the guaranteed amount described above, the amount of State funding will be reduced by the amount of such surplus over the guaranteed amount described above.

In general terms, funds are allocated to districts in a manner that requires districts to "compress" their tax rates in order to receive increased State funding at a level that equalizes local tax wealth at the 88th percentile yield for the 2006-07 fiscal year. A basic component of the funding formulas is the "state compression percentage". The state compression percentage was 88.67% for fiscal year 2006-07 and 66.67% for fiscal year 2007-08. For fiscal year 2008-09 and thereafter, the Commissioner is required to determine the state compression percentage for each fiscal year based on the percentage by which a district is able to reduce its M&O Tax rate for that year, as compared to such district's adopted M&O Tax rate for the 2005-06 fiscal year, as a result of State funds appropriated for distribution for the current fiscal year from the property tax relief fund established under the Reform Legislation, or from any other funding source made available by the Legislature for school district property tax relief.

STATE FUNDING FOR LOCAL SCHOOL DISTRICTS

To limit disparities in school district funding abilities, the Finance System (1) compels districts with taxable property wealth per weighted student higher than the "equalized wealth level" to reduce their wealth to such amount or to divert a portion of their tax revenues to other districts as described below and (2) provides various State funding allotments, including a basic funding allotment and other allotments for "enrichment" of the basic program, for debt service tax assistance and for new facilities construction.

The Finance System provides for (1) State guaranteed basic funding allotments per student ("Tier One") and (2) State guaranteed revenues per student for each cent of local tax effort to provide operational funding for an "enriched" educational program ("Tier Two"). In addition, to the extent funded by the Legislature, the Finance System includes, among other funding allotments, an allotment to subsidize existing debt service up to certain limits ("EDA"), the Instructional Facilities Allotment ("IFA"), and an allotment to pay operational expenses associated with the opening of a new instructional facility. Tier One, Tier Two, EDA and IFA are generally referred to as the Foundation School Program. Tier One and Tier Two allotments represent the State funding share of the cost of maintenance and operations of school districts and supplement local ad valorem M&O Taxes levied for that purpose. Tier One and Tier Two allotments and prior year IFA allotments are generally required to be funded each year by the Legislature. EDA and future year IFA allotments supplement local ad valorem taxes levied for debt service on bonds issued by districts to construct, acquire and improve facilities and are generally subject to appropriation by the Legislature. State funding allotments may be altered and adjusted to penalize school districts with high administrative costs and, in certain circumstances, to account for shortages in State appropriations or to allocate available funds in accordance with wealth equalization goals.

Tier One allotments are intended to provide all districts a basic program of education rated academically acceptable and meeting other applicable legal standards. If needed, the State will subsidize local tax receipts at a tax rate of \$.86 per \$100 of property value to ensure that the cost to a district of the basic program is met. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that program at a level of its own choice, however Tier Two allotments may not be used for the payment of debt service or capital outlay. The cost of the basic program is based on an allotment per student known as the "Tier One Basic Allotment." The Tier One Basic Allotment is adjusted for all districts by a cost-of-living factor known as the "cost of education index." In addition, a district-size adjustment further adjusts the Tier One Basic Allotment for districts that have less than 5,000 students in average daily attendance. For fiscal year 2007-08, the Tier One Basic Allotment was \$3,135 based upon a guaranteed yield of \$36.45 for each cent of tax effort. For fiscal year 2008-09, the Tier One Basic Allotment is \$3,218 based upon a guaranteed yield of \$37.42 for each cent of tax effort. Tier Two consists of State equalization funding for local M&O Tax levies that exceed \$0.86. For fiscal year 2007-08, State funding to equalize local M&O Tax levies above \$0.86, up to a district's compressed rate, was funded at a guaranteed yield of \$36.45 per student in weighted average daily attendance ("WADA") for each cent of tax effort; any amount above a district's compressed rate up to \$0.04 was funded at a guaranteed yield of \$46.94 per WADA for each cent of tax effort; and any tax effort associated with a tax approved by voters at a roll back election was funded at a guaranteed yield of \$31.95 per

WADA for each cent of tax effort above a district's compressed rate plus \$0.04. For fiscal year 2008-09, these three levels of Tier Two are funded at \$37.42, \$50.98 and \$31.95, respectively. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - General" for a discussion of the state compression percentage.

The IFA guarantees each school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. To receive an IFA, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with State assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in average daily attendance. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. If the total amount appropriated by the State for IFA in a year is less than the amount of money school districts applying for IFA are entitled to for that year, districts applying will be ranked by the Commissioner by wealth per student, and State assistance will be awarded to applying districts in ascending order of adjusted wealth per student beginning with the district with the lowest adjusted wealth per student. In determining wealth per student for purposes of IFA, adjustments are made to reduce wealth for certain fast growing districts. Once a district receives an IFA award for bonds, it is entitled to continue receiving State assistance without reapplying to the Commissioner and the guaranteed level of State and local funds per student per cent of tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. In 2007, the Legislature appropriated funds for outstanding school district bonds that qualified in prior budget cycles for IFA allotments and added funding for qualified debt to be issued for instructional facilities in the State's 2008-09 fiscal biennium, however, the Texas Education Agency has indicated that it intends to reserve all such new appropriation for the second year of the biennium.

State financial assistance is provided for certain existing debt issued by school districts (referred to herein as EDA) to produce a guaranteed yield (the "EDA Yield"), which for the 2006-07 State Biennium is \$35.00 (subject to adjustment as described below) in State and local revenue per student for each cent of debt service tax levy; however, for bonds that became eligible for EDA funding after August 31, 2001, and prior to August 31, 2005, EDA assistance for such eligible bonds may be less than \$35 in revenue per student for each cent of debt service tax, as a result of certain administrative delegations to the Commissioner under State law. Effective September 1, 2003, the portion of the local debt service rate that has qualified for equalization funding by the State has been limited to the first 29 cents of debt service tax or a greater amount for any year provided by appropriation by the Legislature. In general, a district's bonds are eligible for the allotment if, during the 2004-05 fiscal year, the district (i) made payments on such bonds or (ii) levied and collected debt service taxes for the payment of principal and interest on such bonds. In 2007, the Legislature appropriated funds for outstanding school district bonds that qualified in prior budget cycles for EDA allotments, provided additional EDA funding for the State's 2008-09 fiscal biennium for new bonds that qualify for the allotment and rolled forward the eligibility date from 2004-05 to 2006-07 fiscal year. A district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives overlapping IFA funding.

A district may also qualify for an allotment for operational expenses associated with opening new instructional facilities. This funding source may not exceed \$25,000,000 in one school year on a State-wide basis. For the first school year in which students attend a new instructional facility, a district is entitled to an allotment of \$250 for each student in average daily attendance at the facility. For the second school year in which students attend that facility, a district is entitled to an allotment of \$250 for each additional student in average daily attendance at the facility. The new facility operational expense allotment will be deducted from wealth per student for purposes of calculating a district's Tier Two State funding.

LOCAL REVENUE SOURCES - PROPERTY TAX AUTHORITY

The primary source of local funding for school districts is ad valorem taxes levied against the local tax base. The former provision of the Education Code, Section 45.003, that in general limited the M&O Tax rate to \$1.50 per \$100 of taxable assessed value, was replaced with a formula using the state compression percentage so that the maximum tax rate that may be adopted by a district in any fiscal year is limited based on the amount of State funds to be received by the District in that year. For the 2006-07 and 2007-08 fiscal years, districts may generate additional local funds by raising their M&O Tax rate by \$0.04 above the compressed tax rates (without taking into account changes in taxable valuation) without voter approval, and such amounts will generate equalized funding dollars from the State under the Tier Two program. In fiscal year 2008-09 and thereafter, districts may, in general, increase their tax rate by an additional two or more cents and receive State equalization funds for such taxing effort so long as the voters approve such tax rate increase. Many school districts, however, voted their M&O Tax under prior law and may be subject to other limitations on the M&O Tax rate. School districts are also authorized to levy a bond debt service tax that may be unlimited in rate. See "TAX INFORMATION-Tax Rate Limitations" herein. The governing body of a school district cannot adopt an annual tax rate which exceeds the district's "rollback tax rate" without submitting such proposed tax rate to the voters at a referendum election. See "TAX INFORMATION-Public Hearing and Rollback Tax Rate" herein.

WEALTH TRANSFER PROVISIONS

Under the Finance System, districts are required, with certain limited exceptions, to effectively adjust taxable property wealth per weighted student (“wealth per student”) for each school year to no greater than the “equalized wealth level”, determined in accordance with a formula set forth in the Reform Legislation. A district may effectively reduce its wealth per student either by reducing the amount of taxable property within the district relative to the number of weighted students, by transferring revenue out of the district or by exercising any combination of these remedies.

The wealth level that required wealth reduction measures for fiscal year 2006-07 was \$319,500 per student in average daily attendance. For 2007-08 that wealth level was increased to \$364,500 per student in average daily attendance with respect to that portion of a district’s M&O tax effort that does not exceed its compressed tax rate, and remained at \$319,500 with respect to that portion of a district’s local tax effort that is beyond its compressed rate plus \$.04. For 2008-2009 that wealth level has been increased to \$374,200 per student in average daily attendance with respect to that portion of a district’s M&O tax effort that does not exceed its compressed tax rate, and remains at \$319,500 with respect to that portion of a district’s local tax effort that is beyond its compressed rate plus \$.04. Property wealthy districts may also be able to levy up to an additional four cents (six cents beginning with fiscal year 2009-10) per \$100 of assessed valuation of M&O Taxes above their compressed rate to provide revenue that is not subject to recapture.

A district has four options to reduce its wealth per student so that it does not exceed the equalized wealth level: (1) A district may consolidate by agreement with one or more districts to form a consolidated district. All property and debt of the consolidating districts vest in the consolidated district. (2) Subject to approval by the voters of all affected districts, a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O Taxes or both M&O Taxes and debt service taxes. (3) A district may detach property from its territory for annexation by a property-poor district. (4) A district may educate students from other districts who transfer to the district without charging tuition to such students.

A district has three options to transfer tax revenues from its excess property wealth. First, a district with excess wealth per student may purchase “attendance credits” by paying the tax revenues to the State for redistribution under the Foundation School Program. Second, it can contract to disburse the tax revenues to educate students in another district, if the payment does not result in effective wealth per student in the other district to be greater than the equalized wealth level. Both options to transfer property wealth are subject to approving elections by the transferring district’s qualified voters. Third, a wealthy district may reduce its wealth by paying tuition to a non-wealthy district for the education of students that reside in the wealthy district.

A district may not adopt a tax rate until its effective wealth per student is the equalized wealth level or less. If a final court decision holds any of the preceding permitted remedial options unlawful, districts may exercise any remaining option under a revised schedule approved by the Commissioner.

If a district fails to exercise a permitted option, the Commissioner must reduce the district’s property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary, consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district’s existing debt.

POSSIBLE EFFECTS OF WEALTH TRANSFER PROVISIONS AND HB1 ON THE DISTRICT'S FINANCIAL CONDITION

The District’s wealth is approximately \$173,000 for each student in average daily attendance. As a result, the District is property poor for purposes of the wealth equalization provisions of the Finance System, and the District has not been required to take remedial steps to equalize its wealth. Due to the District’s low wealth level, for the 2008 fiscal year, State funding represented approximately 67% of the revenues for the District’s General Fund (its principal operating account) and 39% of its Debt Service Fund revenues.

The District currently operates with a target funding level of \$4,609 per student based upon the “hold harmless” formulas set forth in HB 1. That funding level is lower than the average for all school districts in the State of \$5,052, but is comparable to the target funding level for neighboring school districts that the District uses as benchmarks for salaries and other budgetary items. The hold harmless amount reflects prior year funding decisions by school boards, and the relative efficiency achieved by a particular district in budgets adopted under the former Finance System that predated HB 1. In essence, HB 1 provided tax rate relief to school district tax payers, while holding school district funding per student at levels in effect during the 2005-06 fiscal year.

The State funding level for the District impacts staff salaries and benefits most directly, since those expenditures represent approximately 84% of the District’s operating budget. Over the past three years, the District has increased teacher salaries by 3% to 4% per year.

Over the past five years, the District has had average annual growth in its tax base of approximately 7%. The hold harmless provisions of the Finance System generally neutralize tax base growth in determining State funding, although the District benefits from growth in its tax base with respect to its debt service tax levy. The District anticipates that the tax rate impact of issuing the bonds approved at the November 2008 bond election to be from \$0.20 to \$.32 per year per \$100 of taxable assessed valuation, with the lower figure conditioned on an extension of the State allotment for existing debt service that the District may qualify for in future years, depending upon legislative funding.

While increases in tax base are neutralized under HB 1, the District can increase its State funding with increases in average daily attendance, although over the past ten years the District's enrollment has declined from 16,405 to 14,200. The decline is due to population shifts away from communities in West Texas into the I-35 corridor that stretches from Dallas – Fort Worth to San Antonio. The District has also lost from 150 to 200 students each year who transfer to adjacent school districts that are more rural in character than the District. As a result of these declines in enrollment, the District has closed five elementary schools in order to reduce operating costs to offset declines in State funding. The District believes that its student enrollment figures have stabilized and that it will see an increase in enrollment for fiscal year 2009.

At the close of fiscal year 2008, the District's General Fund balance represented approximately 32% of General Fund expenditures during that year. The General Fund balance was reduced in 2008 by approximately \$3 million to accommodate planned spending for capital improvements in the District, but the fund balance is still above the District's financial policy level of 20% to 25% of current General Fund budgeted expenditures. The District has reserved a portion of its General Fund balance for future construction costs and other items, and management of the District anticipates that between \$3 million and \$4.5 million of the current \$31.2 million fund balance may be utilized for an on-going construction project that was not funded in the November 2008 bond election. Over the past five years, the District has maintained a fund balance of between 32% and 38% of General Fund expenditures despite having a relatively low target revenue figure under HB 1 and the decline in student enrollment. The District attributes this to having a lower salary base than in areas with higher prevailing target revenues, and to conservative budgeting and cost management, including management of staffing levels. In addition, the District has benefitted in prior years by entering into funding agreements with property wealthy districts, which generated approximately \$5 million of funding for technology purposes over the three year period that ended in 2006 with the enactment of HB 1, which removed certain incentives for financial partnerships between property wealthy and property poor districts. The District believes that it could generate an additional \$7 million per year in General Fund revenues if it were to increase its M&O Tax rate from its current level of \$1.04 per \$100 of tax value to the current statutory limit of \$1.17. However, such tax rate increase would be subject to a rollback tax referendum and the District has no plans to hold such a referendum in the near future. The District could also increase funding by eliminating a local option 20% homestead tax exemption, but the District has no plans to do so.

Like other school districts in the State, future budgets of the District will be significantly impacted by funding decisions made by the State Legislature, which commenced a new biennial legislative session in January 2009.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the District is the responsibility of the Tom Green County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of five members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Certain residence homestead exemptions from ad valorem taxes for public school purposes are mandated by Section 1-b, Article VIII, and State law and apply to the market value of residence homesteads in the following sequence:

\$15,000; and an additional

\$10,000 for those 65 years of age or older, or the disabled. A person over 65 and disabled may receive only one \$10,000 exemption, and only one such exemption may be received per family, per residence homestead. State law also mandates a freeze on taxes paid on residence homesteads of persons who are 65 years of age or older or disabled, to the extent that such persons are eligible for the \$10,000 exemption. Such residence homesteads shall be appraised and taxes calculated as on any other property, but taxes shall never exceed the amount imposed in the first year in which the property received the \$10,000 exemption. The freeze on ad valorem taxes on the homesteads of persons who are 65 years of age or older or disabled is also transferable to a different residence homestead. If improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. A "disabled" person is one who is "under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance". Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons who are 65 years of age or over or disabled to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – General"). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years.

In addition, under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant either or both of the following:

- (i) An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision;
- (ii) An exemption of up to 20% of the market value of residence homesteads; minimum exemption \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j of the Texas Constitution provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city or county may create a tax increment financing district (“TIF”) within the city or county with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including school districts, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the “incremental value” (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits cities and counties to initiate tax abatement agreements. In addition, credit will not be given by the Commissioner of Education in determining a district’s property value wealth per student for (1) the appraised value, in excess of the “frozen” value, of property that is located in a TIF created after May 31, 1999 (except in certain limited circumstances where the municipality creating the tax increment financing zone gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the TIF of its intention to create the TIF and the TIF was created and had its final project and financing plan approved by the municipality prior to August 31, 1999), or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 1993. Notwithstanding the foregoing, in 2001 the Legislature enacted legislation known as the Texas Economic Development Act, which provides incentives for school districts to grant limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the district. Generally, during the last eight years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value. Additional State funding is provided to a school district for each year of such tax limitation in the amount of the tax credit provided to the taxpayer. During the first two years of a tax limitation agreement, the school district may not adopt a tax rate that exceeds the district’s rollback tax rate (see “TAX INFORMATION - Public Hearing and Rollback Tax Rate” and “TAX INFORMATION – District Application of Tax Code”).

TAX RATE LIMITATIONS . . . A school district is authorized to levy maintenance and operation taxes subject to approval of a proposition submitted to district voters. The maximum tax rate that may be levied by a school district for maintenance and operations cannot exceed the voted maximum rate or the maximum rate described in the next paragraph. The maximum voted maintenance and operations tax rate for the District is \$1.50 per \$100 of assessed valuation voted pursuant to former Article 2784e-1, Vernon’s Ann. Civ. St. (“Article 2784e-1”), and an election held on May 18, 1968. In addition to the limitations imposed by the Reform Legislation (described in the next paragraph and under the caption “Public Hearing and Rollback Tax Rate”), Article 2784e-1 limits the District’s annual, local maintenance and operations tax levy based upon a comparison between the District’s outstanding bonded indebtedness and the District’s taxable assessed value per \$100 of assessed valuation. Article 2784e-1 provides for a reduction of \$.10 for each one per cent (1%) or major fraction thereof increase in bonded indebtedness beyond seven per cent (7%) of assessed valuation of property in the District. This limitation is capped when the District’s bonded indebtedness is ten per cent (10%) or greater of the District’s assessed valuation, which would result in an annual maximum maintenance tax rate of \$1.20 per \$100 assessed valuation. The Texas Attorney General in reviewing the District’s transcript of proceedings will allow the District to reduce the amount of its outstanding bonded indebtedness by the amount of funds (on a percentage basis) that the District receives in State assistance for the repayment of this bonded indebtedness (for example, if the District anticipates that it will pay 75% of its bonded indebtedness from State assistance, for the purposes of Article 2784e-1, the Texas Attorney General will assume that only 25% of the District’s bonded indebtedness is outstanding and payable from local ad valorem taxes). This administrative determination has not been litigated by a Texas Court. The bonded indebtedness of the District after the issuance of the Bonds will be approximately 4.75% of the District’s current taxable assessed valuation of property (without adjustment for the portion of the District’s debt service paid using State assistance payments).

In addition to the limitations described in the preceding paragraph, the Reform Legislation imposed limitation on the maximum tax rate that a school district may levy for maintenance and operations. For the 2007-08 fiscal year, the maximum maintenance tax rate per \$100 of assessed valuation that may be adopted by the District may not exceed the lesser of (A) \$1.50, or such lower rate as described in the preceding paragraph, and (B) the sum of (1) the rate of \$0.17, and (2) the product of the “state compression percentage” multiplied by \$1.50. The state compression percentage was 66.67% for fiscal year 2007-08. For fiscal year 2008-09 and thereafter, the Commissioner is required to determine the state compression percentage for each fiscal year which is based on the amount of State funds appropriated for distribution to the District for the current fiscal year (for a more detailed description of the state compression percentage, see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – General”). Furthermore, a school district cannot annually increase its tax rate in excess of the district’s “rollback tax rate” without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate (see “Public Hearing and Rollback Tax Rate”).

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of a proposition submitted to the voters under Section 45.003(b)(1), Texas Education Code, as amended, which provides a tax unlimited as to rate or amount for the support school district bonded indebtedness (see “THE BONDS - Security and Source of Payment”).

Chapter 45 of the Texas Education Code, as amended, requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay debt service on a proposed issue of bonds, together with debt service on other outstanding “new debt” of the district, from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of \$0.50, a district may take into account State allotments to the district

which effectively reduces the district's local share of debt service. Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay debt service on bonds approved by district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds) are not subject to the foregoing threshold tax rate test. In addition, taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the \$0.50 tax rate test; however, taxes levied to pay debt service on such bonds are included in the calculation of the \$0.50 tax rate test as applied to subsequent issues of "new debt." The Refunding Bonds are issued as refunding bonds and are not subject to the \$0.50 threshold tax rate test and the School Building Bonds are issued as "new debt" and are subject to the \$0.50 threshold tax rate test. Under current law, a district may demonstrate its ability to comply with the \$0.50 threshold tax rate test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the \$0.50 threshold tax rate test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Attorney General must find that the district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the \$0.50 threshold tax rate test from a tax rate of \$0.45 per \$100 of valuation. The District has not used projected property values to satisfy this threshold test for any issue of its bonds.

PUBLIC HEARING AND ROLLBACK TAX RATE. . . In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "rollback tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. For the 2007-08 fiscal year and thereafter, the rollback tax rate for a school district is the lesser of (A) the sum of (1) the product of the district's "state compression percentage" for that year multiplied by \$1.50, (2) the rate of \$0.04, (3) any rate increase above the rollback tax rate in prior years that were approved by voters, and (4) the district's current debt rate, or (B) the sum of (1) the district's effective maintenance and operations tax rate, (2) the product of the district's state compression percentage for that year multiplied by \$0.06; and (3) the district's current debt rate (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - General" for a description of the "state compression percentage"). For tax years 2003 through 2008, the rollback tax rate will also include the tax rate that, applied to current tax values, would impose taxes in an amount sufficient for the district to fund its minimum local effort requirement for employee health care coverage (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

The "effective maintenance and operations tax rate" for a school district is the tax rate that, applied to the current tax values, would provide local maintenance and operating funds, when added to State funds to be distributed to the district pursuant to Chapter 42 of the Texas Education Code for the school year beginning in the current tax year, in the same amount as would have been available to the district in the preceding year if the funding elements of wealth equalization and State funding for the current year had been in effect for the preceding year.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c) and (d) and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the district delivers substantially all of its tax bills.

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty ^(a)	Cumulative Interest ^(a)	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12 ^(a)	6	18

(a) After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur the penalty as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge.

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. **Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.**

DISTRICT APPLICATION OF TAX CODE . . . The District does not grant a local-option exemption to the market value of the residence homestead of persons 65 years of age or older; but, the disabled are granted a homestead exemption of \$25,000.

The District has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax nonbusiness personal property; and the Tom Green County Appraisal District collects taxes for the District.

The District does not permit split payments of taxes, and discounts are not allowed, although both options may be exercised by the District under State law.

The District does exempt freeport property from taxation, but has taken action to tax goods-in-transit for tax years 2008 and thereafter.

The District has not adopted a tax abatement policy.

The District does not participate in any TIF.

TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2008/09 Market Valuation Established by Tom Green County Appraisal District (excluding totally exempt property)		\$ 4,000,093,096
Less Exemptions/Reductions at 100% Market Value:		
State Mandated General Homestead Exemptions	\$ 328,693,607	
State Mandated Over 65 Exemptions	73,741,810	
State Mandated Disabled Veteran Homestead Exemptions	13,579,900	
20% Homestead Exemption (Local Option)	375,875,322	
Over 65 Exemption (Local Option)	12,483,560	
Freeport Exemption Loss	7,524,274	
Pollution Control	8,549,116	
Freeze Value Loss	112,066,740	
Capped Value Loss	74,001,143	
Productivity Loss	<u>86,495,340</u>	<u>1,093,010,812</u>
2008/09 Taxable Assessed Valuation		\$ 2,907,082,284
Debt Payable from Ad Valorem Taxes (as of 04/23/09)		
Outstanding Debt ⁽¹⁾	\$ 16,920,000	
The Bonds	<u>121,089,985</u>	
Debt Payable from Ad Valorem Taxes (as of 04/23/09)		\$ 138,009,985
Ratio Tax Supported Debt to Taxable Assessed Valuation		4.75%

2009 Estimated Population - 90,000
Per Capita Taxable Assessed Valuation - \$32,301
Per Capita Debt Payable from Ad Valorem Taxes - \$1,533

(1) Projected, excludes the Refunded Bonds.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 2,393,603,417	59.84%	\$ 2,189,544,296	59.23%	\$ 2,050,240,636	58.40%
Real, Residential, Multi-Family	159,091,499	3.98%	147,044,309	3.98%	150,310,050	4.28%
Real, Vacant Lots/Tracts	57,846,003	1.45%	58,296,230	1.58%	57,202,385	1.63%
Real, Acreage (Land Only)	111,369,650	2.78%	76,332,701	2.06%	70,041,760	2.00%
Real, Farm and Ranch Improvements	9,991,950	0.25%	9,309,650	0.25%	8,083,100	0.23%
Real, Commercial	626,047,148	15.65%	614,234,524	16.62%	559,043,104	15.92%
Real, Industrial	29,114,900	0.73%	28,656,500	0.78%	33,639,300	0.96%
Real, Oil, Gas and Other Mineral Reserves	738,620	0.02%	1,249,600	0.03%	1,162,270	0.03%
Real & Tangible Personal, Utilities	141,865,244	3.55%	136,293,095	3.69%	144,056,553	4.10%
Tangible Personal, Commercial	340,668,110	8.52%	318,887,322	8.63%	305,017,557	8.69%
Tangible Personal, Industrial	84,946,881	2.12%	77,488,041	2.10%	94,464,437	2.69%
Tangible Personal, Other, Mobile Homes	7,667,638	0.19%	7,711,488	0.21%	7,569,628	0.22%
Real Property, Inventory ⁽¹⁾	9,663,953	0.24%	6,526,524	0.18%	6,702,464	0.19%
Special Inventory	27,478,083	0.69%	24,933,719	0.67%	22,948,403	0.65%
Total Appraised Value Before Exemptions	\$ 4,000,093,096	100.00%	\$ 3,696,507,999	100.00%	\$ 3,510,481,647	100.00%
Adjustments	0		0		13,058,911	
Less: Total Exemptions/Reductions	(1,093,010,812)		(990,029,165)		(955,563,939)	
Taxable Assessed Value	<u>\$ 2,907,082,284</u>		<u>\$ 2,706,478,834</u>		<u>\$ 2,567,976,619</u>	

Category	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2006		2005	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,878,810,780	58.36%	\$ 1,750,691,368	57.63%
Real, Residential, Multi-Family	95,288,705	2.96%	96,009,205	3.16%
Real, Vacant Lots/Tracts	53,224,027	1.65%	52,612,342	1.73%
Real, Acreage (Land Only)	71,067,260	2.21%	68,389,460	2.25%
Real, Farm and Ranch Improvements	7,910,440	0.25%	7,901,300	0.26%
Real, Commercial	518,985,476	16.12%	474,482,442	15.62%
Real, Industrial	33,610,500	1.04%	34,859,100	1.15%
Real, Oil, Gas and Other Mineral Reserves	1,088,730	0.03%	2,442,540	0.08%
Real & Tangible Personal, Utilities	135,056,486	4.20%	131,023,799	4.31%
Tangible Personal, Commercial	288,627,143	8.97%	283,495,473	9.33%
Tangible Personal, Industrial	99,444,669	3.09%	99,612,277	3.28%
Tangible Personal, Other, Mobile Homes	7,316,579	0.23%	7,360,062	0.24%
Real Property, Inventory ⁽¹⁾	6,871,826	0.21%	6,642,913	0.22%
Special Inventory	21,986,324	0.68%	22,286,337	0.73%
Total Appraised Value Before Exemptions	\$ 3,219,288,945	100.00%	\$ 3,037,808,618	100.00%
Adjustments	5,399,184		0	
Less: Total Exemptions/Reductions	(905,774,698)		(858,438,918)	
Taxable Assessed Value	<u>\$ 2,318,913,431</u>		<u>\$ 2,179,369,700</u>	

Valuations shown are certified taxable assessed values reported by the Tom Green County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at Fiscal Year End	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2005	91,000	\$ 2,179,369,700	\$ 23,949	\$ 29,024,991	1.33%	\$ 319
2006	90,000	2,318,913,431	25,766	27,043,082	1.17%	300
2007	90,000	2,567,976,619	28,533	25,195,000	0.98%	280
2008	90,000	2,706,478,834	30,072	23,135,000	0.85%	257
2009	90,000	2,907,082,284	32,301	138,004,985 ⁽³⁾	4.75% ⁽³⁾	1,533 ⁽³⁾

(1) Source: District Officials.

(2) As reported by the Tom Green County Appraisal District on the District’s annual State Property Tax Reports. Such values are subject to change during ensuing year.

(3) Projected, includes the Bonds but excludes the Refunded Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Rate	Local Maintenance	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2005	\$ 1.57525	\$ 1.50000	\$ 0.07525	\$ 34,330,525	97.55%	99.49%
2006	1.57200	1.50000	0.07200	36,453,319	98.15%	99.93%
2007	1.44000	1.37000 ⁽¹⁾	0.07000	36,978,864	97.87%	99.41%
2008	1.11000	1.04000 ⁽¹⁾	0.07000	30,173,935	97.91%	99.54%
2009	1.11000	1.04000	0.07000	32,183,811	86.53% ⁽²⁾	87.12% ⁽²⁾

(1) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM.”

(2) Partial year collections through January 31, 2009.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2008/09 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Walmart, Inc.	Retail	\$ 63,794,755	2.19%
AEP-West Texas Utilities	Utility	51,222,770	1.76%
Ethicon, Inc.	Manufacturing	44,396,038	1.53%
San Angelo Community Medical	Hospital	41,443,925	1.43%
Verizon	Communications	37,855,782	1.30%
Shannon Medical Center	Hospital	24,713,381	0.85%
Sunset Mall LLP	Retail	22,926,430	0.79%
Suddenlink Communications	Communications	22,569,616	0.78%
Alexander Properties	Retail	16,775,738	0.58%
Lowes, Inc.	Retail	13,823,126	0.48%
		<u>\$ 339,521,561</u>	<u>11.68%</u>

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	2008/09 Taxable Assessed Value	2008/09 Tax Rate	Total Tax Supported Debt as of 4/23/2009	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 4/23/2009
San Angelo ISD	\$ 2,907,082,284	\$ 1.11000	\$ 138,009,985 ⁽¹⁾	100.00%	\$ 138,009,985 ⁽¹⁾
City of San Angelo	3,029,818,990	0.84000	86,240,000	99.98%	86,222,752
Tom Green County	3,654,318,578	0.52580	11,080,000	74.32%	8,234,656
Total Direct and Overlapping Tax Supported Debt					\$ 232,467,393
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					8.00%
Per Capita Direct and Overlapping Tax Supported Debt					\$ 2,582.97

(1) Projected, includes the Bonds and excludes the Refunded Bonds.

TABLE 7 - TAX ADEQUACY⁽¹⁾

Principal and Interest Requirements, 2009	\$ 3,225,169
\$0.1133 Tax Rate at 98% Collection Produces	\$ 3,227,850
Average Annual Principal and Interest Requirements, 2009-2034	\$ 9,415,900
\$0.3306 Tax Rate at 98% Collection Produces	\$ 9,418,598
Maximum Principal and Interest Requirements, 2012	\$ 10,381,230
\$0.3644 Tax Rate at 98% Collection Produces	\$ 10,381,540

(1) The District currently receives State funds to pay for a portion of its debt service on its outstanding debt from both the Instructional Facilities Allotment program and the Existing Debt Allotment. In fiscal year 2008-09, these State funds total \$1,055,993. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS.")

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Tax Supported Debt Service Requirements, Fiscal Year Ending 8/31/09		\$ 3,225,169
Interest and Sinking Fund as of 8/31/08	\$ 1,395,582	
Budgeted Interest and Sinking Fund Tax Levy Collections	1,994,258	
Capitalized Interest from the School Building Bonds	200,000	
State Existing Debt Allotment ⁽¹⁾	648,636	
State Instructional Facilities Allotment ⁽¹⁾	407,357	\$ 4,645,833
Estimated Fund Balance, Fiscal Year Ending 8/31/09		<u>\$ 1,420,664</u>

(1) The amount of State funding aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for Local School Districts”).

TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Being Issued ⁽¹⁾	Unissued Balance ⁽¹⁾
School Building	11/4/2008	\$ 117,000,000	\$ 117,000,000	\$ 0

(1) The amount being issued for the School Building Bonds consists of the issue par amount of \$116,999,985.00 and a net premium of \$15.00 paid to the District by the Underwriter that will be deposited to the District’s Construction Fund and applied against the District’s voted authorization.

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . . The District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months. However, the District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

TABLE 11 - OTHER OBLIGATIONS

The District entered into an agreement with Daktronics, Inc. (“Daktronics”) whereby the District received a Jumbo Tron electronic scoreboard in exchange for granting exclusive rights to advertising revenues sufficient to pay for the scoreboard to Daktronics over a period of ten years. The transaction is being reported in an enterprise fund as a capital lease.

Debt service requirements for the capital lease are as follows:

FYE	Principal	Interest	Total
2009	\$ 37,083	\$ 27,117	\$ 64,200
2010	104,804	24,150	128,954
2011	41,934	15,766	57,700
2012	45,289	12,411	57,700
2013	48,912	8,788	57,700
2014-15	60,941	5,525	66,466
Total	<u>\$ 338,963</u>	<u>\$ 93,757</u>	<u>\$ 432,720</u>

PENSION FUND AND OTHER BENEFITS . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the “System”). The individual employees contribute a fixed amount of their salary to the System, currently 6.4%, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally funded programs. (For more detailed information concerning the retirement plan, see Appendix B, “Excerpts from the District’s Annual Financial Report” - Note IV, D).

In addition to participation in the System, the District provides health care coverage for its employees. For a discussion of the District’s medical benefit plan (see Appendix B, “Excerpts from the District’s Annual Financial Report” - Note IV, J, 1).

As a result of its participation in the System and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

FINANCIAL INFORMATION

TABLE 12 - SCHEDULE OF CHANGES IN NET ASSETS⁽¹⁾

	Fiscal Year Ended August 31				
	2008	2007	2006	2005	2004
Program Revenues:					
Charges for Services	\$ 3,753,907	\$ 3,041,775	\$ 2,812,375	\$ 2,533,291	\$ 2,712,729
Operating Grants & Contributions	22,919,311	21,459,740	21,744,178	21,846,735	18,368,090
Property Taxes	30,024,562	36,770,046	36,368,433	34,156,856	32,411,887
State Aid - Formula Grants	60,271,087	52,935,269	43,436,664	44,742,927	47,831,742
Grants and Contributions (Not Restricted)	931,001	972,650	644,935	1,270,569	936,377
Investment Earnings	1,624,328	2,420,467	2,390,069	1,263,371	495,185
Miscellaneous Local & Intermediate Revenue	546,413	621,516	2,560,992	2,826,062	1,783,748
Total Revenues	\$ 120,070,609	\$ 118,221,463	\$ 109,957,646	\$ 108,639,811	\$ 104,539,758
Expenses:					
Instruction	\$ 66,730,115	\$ 62,891,886	\$ 59,995,560	\$ 59,150,115	\$ 57,911,223
Instructional Resources and Media Services	1,752,858	1,731,854	1,686,587	1,849,016	2,158,872
Curriculum & Staff Development	1,854,410	1,968,999	2,145,896	2,055,694	2,033,225
Instructional Leadership	1,483,523	1,503,316	1,516,922	1,552,335	1,580,468
School Leadership	6,128,517	5,506,764	5,356,399	5,108,608	4,855,298
Guidance, Counseling & Evaluation Services	4,875,257	4,728,389	4,687,291	4,294,429	4,091,444
Social Work Services	687,144	881,673	853,070	802,268	596,056
Health Services	642,762	642,670	530,031	510,326	444,322
Student (Pupil) Transportation	2,472,937	2,061,204	2,035,353	1,696,127	1,623,991
Food Services	6,078,305	5,637,225	5,571,653	5,059,659	5,042,455
Cocurricular/Extracurricular Activities	3,855,451	3,568,880	3,521,852	3,369,334	3,114,868
General Administration	2,571,825	3,055,881	2,864,428	2,760,640	2,605,754
Plant Maintenance and Operations	13,258,884	12,063,215	12,631,582	11,731,458	10,506,827
Security and Monitoring Services	310,337	300,352	258,479	222,473	218,134
Data Processing Services	3,974,257	2,910,624	1,875,665	1,930,522	1,941,230
Community Services	364,730	367,276	314,665	372,672	293,493
Debt Services	1,087,381	1,179,872	1,280,628	1,288,614	1,262,707
Other Intergovernmental Charges	782,194	0	0	0	0
Total Expenses	\$ 118,910,887	\$ 111,000,080	\$ 107,126,061	\$ 103,754,290	\$ 100,280,367
Increase (decrease) in net assets before transfers and special items	\$ 1,159,722	\$ 7,221,383	\$ 2,831,585	\$ 4,885,521	\$ 4,259,391
Special Items	0	0	(402,081)	1,220,060	(1,560)
Beginning Net Assets	98,798,360	88,576,977	85,668,429	79,562,848	75,305,017
Prior Period Adjustments	338,883	0	479,044	0	0
Ending Net Assets	\$ 99,958,082	\$ 95,798,360	\$ 88,576,977	\$ 85,668,429	\$ 79,562,848

(1) The District implemented Government Accounting Standards Board Statement No. 34 ("GASB 34") for the fiscal year ended August 31, 2002. Table 12 presents data on a government-wide basis in accordance with GASB 34.

TABLE 12-A - SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended August 31,				
	2008 ⁽¹⁾	2007	2006	2005	2004
Revenues:					
Local and Intermediate Sources	\$ 30,752,310	\$ 38,385,170	\$ 40,033,627	\$ 36,894,471	\$ 33,568,145
State Sources	63,435,197	55,320,187	45,290,538	46,365,194	50,250,473
Federal Sources	892,952	923,240	732,428	612,389	961,312
Total Revenues	\$ 95,080,459	\$ 94,628,597	\$ 86,056,593	\$ 83,872,054	\$ 84,779,930
Expenditures:					
Instruction and Instructional-Related Services	\$ 55,578,293	\$ 52,052,311	\$ 49,586,011	\$ 48,390,160	\$ 48,083,400
Instructional and School Leadership	9,245,251	8,801,775	8,354,076	8,241,976	8,584,725
Support Services - Student (Pupil)	11,571,021	10,182,925	9,850,090	8,950,743	8,597,279
Administrative Support Services	2,571,104	2,993,568	2,734,084	2,651,503	2,580,920
Support Services - Nonstudent Based	16,644,899	13,985,617	13,547,567	12,071,698	11,609,282
Ancillary Services	96,781	95,153	86,287	121,124	134,639
Debt Service	0	10,202	23,290	26,175	407,055
Capital Outlay	488,065	3,816,785	1,039,890	1,117,732	1,670,063
Intergovernmental Charges	782,194	0	0	0	0
Total Expenditures	\$ 96,977,608	\$ 91,938,336	\$ 85,221,295	\$ 81,571,111	\$ 81,667,363
Other Resources and (Uses) & Special Items	\$ (1,181,094)	\$ (7,135)	\$ 38,828	\$ 1,230,020	\$ 79,322
Excess (Deficiency) of					
Revenues Over Expenditures	\$ (3,078,243)	\$ 2,683,126	\$ 874,126	\$ 3,530,963	\$ 3,191,889
Beginning Fund Balance on					
September 1	\$ 34,280,105	\$ 31,596,979	\$ 30,722,853	\$ 27,191,890	\$ 24,000,001
Ending Fund Balance on					
August 31	\$ 31,201,862	\$ 34,280,105	\$ 31,596,979	\$ 30,722,853	\$ 27,191,890

(1) The financial statements for the District include a Management's Discussion and Analysis of financial operations for each year. Reference is made to Appendix B - "Excerpts from the District's Annual Financial Report for the Fiscal Year Ended August 31, 2008" for such discussion regarding the year ended August 31, 2008.

FINANCIAL POLICIES

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Budgetary Procedures . . . Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchases services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

GASB 34 Statement . . . In June 1999, the Governmental Accounting Standards Board ("GASB") issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" ("GASB 34"). The objective of GASB 34 is to enhance the clarity and usefulness of the general-purpose external financial reports of state and local governments to its citizenry, legislature and oversight bodies, and investors and creditors. The District implemented GASB 34 beginning with its fiscal year ending August 31, 2002. While adoption of GASB 34 has altered the presentation of the District's financial information, District management does not believe that adoption of GASB 34 has had any material adverse impact on the District's financial position, results of operation, or cash flows.

INVESTMENTS

The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Trustees of the District. Both state law and the District's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities including letters of credit, (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates that are issued by a depository institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (6) above or in any other manner and amount provided by law for District deposits or are invested by an investing entity through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. If specifically authorized in the

authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than “A” or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each funds’ investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, District investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Trustees.

ADDITIONAL PROVISIONS . . . Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District’s investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of

qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 13 - CURRENT INVESTMENTS

As of November 30, 2008, the District’s investable funds were invested in the following categories:

<u>Description of Investment</u>	<u>Percent</u>	<u>Book Value</u>	<u>Market Value</u>
Texas Class MBIA ⁽¹⁾	23.15%	\$ 10,802,977	\$ 10,801,443
TexPool Accounts ⁽¹⁾	38.75%	18,088,113	18,112,170
Texas Daily ⁽¹⁾	15.72%	7,337,900	7,349,516
Lone Star ⁽¹⁾	1.77%	826,207	826,800
Certificates of Deposit	3.20%	1,494,000	1,494,000
Agency Securities	17.39%	8,118,606	8,034,320
Other	0.01%	6,000	6,000
TOTAL	100.00%	\$ 46,673,802	\$ 46,624,249

(1) Texas Class MBIA, TexPool, Texas Daily and Lone Star are governmental investment pools that operate as money market equivalents. Each of such pools currently maintains a “AAA” rating from Standard & Poor’s or Fitch Ratings and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel’s opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Series 2009-B Refunding Bonds owned by a corporation will be included in such corporation’s adjusted current earnings for tax years beginning after 1989, for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust (FASIT). A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed herewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the U.S. Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the “Service”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the “taxpayer,” and the Owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the Owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or

who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN BONDS . . . The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the “Discount Bonds”). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption”. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, in the case of the Series 2009B Refunding Bonds for purposes of calculating a corporation's alternative minimum tax imposed by section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 13 and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2009. The District will provide the updated information to each nationally recognized municipal securities information repository (“NRMSIR”) and to any state information depository (“SID”) that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the “SEC”).

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February in each year following the end of its fiscal year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify each NRMSIR and the SID of the change.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the District. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at www.DisclosureUSA.org ("DisclosureUSA"). The District may utilize DisclosureUSA for the filing of information relating to the Bonds.

MATERIAL EVENT NOTICES . . . The District will also provide timely notices of certain events to certain information vendors. The District will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (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 Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Order make any provision for debt service reserves or liquidity enhancement). In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

AVAILABILITY OF INFORMATION FROM NRMSIRS AND SID . . . The District has agreed to provide the foregoing information only to NRMSIRs (or the MSRB, in the case of material event notices) and the SID. Prior to July 1, 2009 the information will be available to holders of the Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The SEC has approved amendments to the Rule, to become effective July 1, 2009, to designate the MSRB as the sole repository of continuing disclosure information required under the Rule. To make such continuing disclosure information available to investors free of charge, the MSRB has established the Electronic Municipal Market Access ("EMMA") system. The District will be required to file its continuing disclosure information using the EMMA system beginning on July 1, 2009. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and

to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds are rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and "AAA" by Fitch, Inc. ("Fitch") by virtue of a municipal bond insurance policy to be issued by Assured Guaranty. The Bonds and the presently outstanding tax supported debt of the District are rated "AA-" (upgrade) by S&P and "AA-" by Fitch without regard to credit enhancement. The District also has issues outstanding which are rated "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION

The District is not a party to any litigation or other proceeding pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial statements of the District.

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that, except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds must be rated not less than "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to be authorized to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "OTHER INFORMATION -- Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of

such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The District will furnish the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel with respect to the Bonds issued in compliance with the provisions of the Order, forms of which opinions are attached to this Official Statement as Appendix C. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING – Refunded Bonds", "THE BONDS" (excluding the information under the subcaptions "Book-Entry-Only-System," "Yield on Premium Capital Appreciation Bonds" and "Bondholders' Remedies"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" (excluding the information under the subcaption "Possible Effects of Wealth Transfer Provisions and HB1 on the District's Financial Condition"), "TAX INFORMATION - Tax Rate Limitations", "TAX MATTERS", "CONTINUING DISCLOSURE INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the first paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, whose legal fees are contingent upon the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

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

The Financial Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Refunding Bonds from the District at an underwriting discount of \$21,064.57 and to purchase the School Building Bonds from the District at an underwriting discount of \$704,050.60. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under federal

securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes, documents and orders for further information. Reference is made to original documents in all respects.

The Order approves the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its use in the reoffering of the Bonds by the Underwriters.

/S/ LANNY LAYMAN
President, Board of Trustees
San Angelo Independent School District

ATTEST:

/S/ MAX PARKER
Secretary, Board of Trustees
San Angelo Independent School District

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

**San Angelo Independent School District
Unlimited Tax School Building Bonds, Series 1997**

<u>Original Dated Date</u>	<u>Original Maturity (February 15)</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
July 1, 1997	2010	\$ 410,000	5.000%
	2011	435,000	5.100%
	2012	460,000	5.100%
	2013	(1) 490,000	5.125%
	2014	(1) 520,000	5.125%
	2015	(1) 555,000	5.125%
	2016	(2) 590,000	5.250%
	2017	(2) 630,000	5.250%

These Bonds will be redeemed on April 23, 2009

- (1) Represents mandatory sinking fund redemption amount of Term Bonds with a stated maturity of February 15, 2015.
(2) Represents mandatory sinking fund redemption amount of Term Bonds with a stated maturity of February 15, 2017.

SCHEDULE II

**SCHEDULE OF ACCRETED VALUES OF PREMIUM CAPITAL APPRECIATION BONDS
FOR THE SCHOOL BUILDING BONDS**

Accretion Date	Bonds Maturing 2/15/2011	Bonds Maturing 2/15/2012
4/23/2009	\$ 4,822.95	\$ 4,675.65
8/15/2009	4,852.91	4,710.49
2/15/2010	4,901.45	4,767.02
8/15/2010	4,950.48	4,824.22
2/15/2011	5,000.00	4,882.12
8/15/2011		4,940.71
2/15/2012		5,000.00

**SCHEDULE OF ACCRETED VALUES OF PREMIUM CAPITAL APPRECIATION BONDS
FOR THE REFUNDING BONDS**

Accretion Date	Bonds Maturing 8/15/2009
4/23/2009	\$ 4,975.20
8/15/2009	5,000.00

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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THE DISTRICT

The San Angelo Independent School District (the "District") includes the City of San Angelo, Texas, County Seat of Tom Green County. San Angelo is in the Concho Valley located approximately 193 miles southeast of Lubbock, 259 miles southwest of Dallas and 182 miles northwest of Austin.

FACILITIES

<u>Campus</u>	<u>Number of Schools</u>	<u>Capacity</u>	<u>Number of Portables</u>
Elementary Schools	17	8,801	31
Middle Schools	3	3,115	8
High Schools	3	4,420	7
Totals	23	<u>16,336</u>	<u>46</u>

Source: District staff.

DISTRICT ENROLLMENT

<u>FYE 8/31</u>	<u>Total Enrollment</u>	<u>Average Daily Attendance</u>
2005	14,000	13,500
2006	14,192	13,602
2007	14,041	13,482
2008	14,070	13,406
2009 ⁽¹⁾	14,408	13,425

Source: District staff.

SCHOOL AND EMPLOYEE INFORMATION

<u>San Angelo Independent School District</u>	
Number of teachers holding masters degrees	150
Number of teachers holding bachelors degrees	845
Employee Information	
Number of Employees	2,040
Number of Teachers	995
Teacher/pupil ratios:	
Elementary School	19.1/1
Middle School	21.1/1
High School	21.1/1

Source: District staff.

EMPLOYMENT DATA

	Annual Averages				
	2008	2007	2006	2005	2004
Lubbock County					
Civilian Labor Force	136,719	136,720	139,703	138,649	131,383
Total Employment	131,627	131,795	133,863	133,087	126,815
Unemployment	5,092	4,925	5,840	5,562	4,568
Percent Unemployment	3.7%	3.6%	4.2%	4.0%	3.5%
State of Texas					
Civilian Labor Force	11,711,239	11,492,422	11,433,006	11,302,720	10,943,061
Total Employment	11,152,116	10,992,828	10,849,277	10,757,559	10,272,964
Unemployment	559,123	499,594	583,729	545,161	670,097
Percent Unemployment	4.8%	4.3%	5.1%	4.8%	6.1%

Source: Texas Workforce Commission

ECONOMIC INDICES

The following was taken from the Sales & Marketing Management Survey publication

Tom Green County	
% of Population Whose Age is:	
18-24	12.5%
25-34	11.8%
35-49	20.5%
50 and Over	29.4%
Households	39,800
Median Household Effective Buying Income	\$ 31,558
Total Effective Buying Income	\$ 1,630,165,000
% of Households by EBI Group	
\$20,000 - \$34,999	26.8%
\$35,000 - \$49,999	19.6%
\$50,000 and Over	24.8%
Buying Power Index	0.0322
Total Retail Sales	\$ 1,331,839,000