

BOARD AGENDA ITEM

June 11, 2013

SUBJECT:

Resolution to Authorize the Issuance of a Tax Anticipation Note (TAN), Series 2013, in an Amount Not to Exceed \$2,900,000

BACKGROUND INFORMATION:

In 2002, the South Carolina Association of Governmental Organizations (SCAGO) was formed to provide school districts opportunities to take advantage of their combined resources in financial markets. The SCAGO TAN Program is one such opportunity.

ADMINISTRATIVE CONSIDERATION:

Whereas operating expenditures are incurred on a consistent monthly basis, operating revenues can be more sporadic. Most property tax revenue is received during the months of December through February. When State allocations, other revenues and the District's fund balance are not sufficient to cover the costs of operations, the District operates in a deficit. The Administration estimates a low-point operating deficit of no more than \$2,900,000 during 2013-14.

The SCAGO TAN Program has provided the District with a short-term financing option during the past ten years. The District's borrowings via TANs ranged from a low of \$2,700,000 in 2012-13 to a high of \$18,000,000 in 2009-10. Amounts borrowed are largely dependent on the size of the operating budget, the timing of cash flows, and the size of the General Fund fund balance. TANs are repaid prior to April 15 with District operating revenue.

RECOMMENDATION:

Approve the resolution to authorize the issuance of a tax anticipation note, Series 2013, not to exceed \$2,900,000.

ATTACHMENTS:

Proposed Resolution

PREPARED BY:

Marion O. Traxler III

A RESOLUTION

AUTHORIZING THE ISSUANCE OF A NOT EXCEEDING \$2,900,000 TAX ANTICIPATION NOTE, SERIES 2013, OF THE CONSOLIDATED SCHOOL DISTRICT OF AIKEN COUNTY, SOUTH CAROLINA; AUTHORIZING THE SALE OF SAID NOTE TO THE SOUTH CAROLINA ASSOCIATION OF GOVERNMENTAL ORGANIZATIONS PURSUANT TO THE TERMS OF ITS SC TAN PROGRAM; PRESCRIBING THE TERMS AND CONDITIONS UNDER WHICH THE NOTE MAY BE ISSUED; PROVIDING FOR THE FORM OF NOTE; PROVIDING FOR THE PAYMENT THEREOF; AUTHORIZING CERTAIN OFFICIALS OF THE SCHOOL DISTRICT TO DETERMINE CERTAIN MATTERS RELATING TO THE NOTE; ADOPTING WRITTEN PROCEDURES RELATED TO TAX-EXEMPT DEBT; AND OTHER MATTERS RELATING THERETO.

Adopted: June 11, 2013

BE IT RESOLVED, BY THE BOARD OF EDUCATION OF SCHOOL DISTRICT OF AIKEN COUNTY, SOUTH CAROLINA, AS FOLLOWS:

Section 1. Definitions. Unless the context shall clearly indicate some other meaning, the terms defined in this Section shall have, for all purposes of this Resolution, the meanings hereinafter specified, with the definitions equally applicable to both the singular and plural forms and vice versa. The term:

“Authorized Officer” shall mean any one of the following: Chair of the Board, Vice-Chair of the Board, Secretary of the Board, District Superintendent, or Chief Financial Officer of the School District.

“Board” shall mean the Board of Education of School District of Aiken County, South Carolina.

“Business Day” shall mean any day of the week other than Saturday, Sunday or a day which shall be in the State or the state in which the Principal Office of the Trustee (hereinafter defined) is located a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close.

“Certificate” or “Certificates” shall mean any one or all of the Certificates authorized by and secured under the Trust Agreement.

“IRC” shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor internal revenue laws of the United States enacted by the Congress of the United States in replacement thereof. References to the Internal Revenue Code and sections of the Internal Revenue Code include relevant applicable regulations, temporary regulations and proposed regulations thereunder and any successor provisions to those sections, regulations, temporary regulations or proposed regulations.

“Constitution” shall mean the Constitution of the State of South Carolina, 1895, as amended.

“Discharge Date” shall mean March 14, 2014, or such other date as determined by an Authorized Officer.

“Enabling Acts” shall mean the sections of the Constitution, the provisions of the S. C. Code, and the Acts and Joint Resolutions of the General Assembly of the State referenced in Section 2 hereof.

“Note” shall mean the Tax Anticipation Note, Series 2013, in the aggregate principal amount of not exceeding \$2,900,000 authorized to be issued pursuant to Section 3 hereof.

“Owner” shall mean the person or entity in whose name the Note is registered.

“Principal Office” shall mean the principal office of the Trustee at which the Trustee conducts corporate trust business.

“Resolution” shall mean this Resolution.

“S.C. Code” shall mean the Code of Laws of South Carolina, 1976, as amended.

“SCAGO” shall mean the South Carolina Association of Governmental Organizations, a nonprofit corporation organized and existing under the laws of the State.

“School District” shall mean The Consolidated School District of Aiken County, South Carolina.

“State” shall mean the State of South Carolina.

“Trust Agreement” shall mean the Trust Agreement to be dated as determined by SCAGO and the Trustee and to be entered into by and between SCAGO and a trustee to be named (the “Trustee”).

Section 2. Findings and Determinations. The Board of the School District hereby finds and determines:

(a) The School District was created pursuant to the provisions of Act No. 503 (1982 Acts). Pursuant to the provisions of Act No. 503 (1982 Acts), the governing body of the School District is the Board of Education.

(b) Article X, Section 15 of the Constitution empowers school districts to incur general obligation debt in anticipation of the collection of *ad valorem* taxes (tax anticipation notes) under such terms and conditions as the General Assembly may prescribe by law.

(c) Section 11-27-50(4) of the S. C. Code authorizes and empowers school districts to incur general obligation debt in anticipation of the collection of *ad valorem* taxes (tax anticipation notes). Tax anticipation notes shall be expressed to mature not later than ninety (90) days from the date as of which such taxes may be paid without penalty.

(d) Pursuant to the provisions of Act No. 503 (1982 Acts) and Act No. 173 (1999 Acts), the Board is authorized to adopt a budget for the succeeding fiscal year and set such millage rates as may be reasonable and necessary for school purposes.

(e) Pursuant to Section 12-37-220(B)(47)(a) of the S.C. Code, one hundred percent of the fair market value of owner-occupied residential property is exempt from all property taxes imposed for school operating purposes but not including millage imposed for the repayment of general obligation debt. Section 11-11-156(A) of the S.C. Code provides that beginning with fiscal year 2007-2008, school districts of the State must be reimbursed from the Homestead Exemption Fund in the manner provided therein. For fiscal year 2013-2014, each school district of the State should be reimbursed an amount equal to the reimbursements it received in fiscal year 2007-2008 plus an increase in the tier three reimbursement by an inflation factor based on the Consumer Price Index, Southeast Region, and the percentage increase in the previous year in the population of the State, not to exceed a total of four percent. Section 11-11-156(B) of the S.C. Code provides that the total reimbursement from the Homestead Exemption Fund for all school districts within a county must be at least \$2,500,000. The amount to be received by the School District under the above-described provisions is herein referred to as “State Reimbursement.”

(f) Notices for collection of *ad valorem* taxes on real property will be mailed to the respective taxpayers of the School District in October 2013, and such taxes are payable without penalty on or before January 15, 2014.

(g) Section 59-71-155 of the S.C. Code establishes a mechanism for the timely advance of funds from the General Fund of the State to provide funds to a county treasurer to make payments of principal and interest due on general obligation bonds of a school district. Section 59-71-155 will apply to the payment, if necessary, of the principal of and interest on the Note authorized herein.

(h) The administrative officers of the School District have advised the Board that funds for the operational expenditures of the School District will most probably be insufficient to meet operational expenditures of the School District during the 2013-2014 fiscal year. The cost of conducting the

operations of the School District must be met pending the collection of the aforesaid *ad valorem* taxes. No previous moneys have been borrowed by the School District in anticipation of the collection of *ad valorem* taxes herein mentioned, and no pledge of the proceeds of such *ad valorem* taxes has heretofore been made.

(i) Pursuant to a Resolution adopted by the Board on June 12, 2012, the School District has adopted Written Procedures Related to Tax-Exempt Debt.

(j) It is necessary and in the best interest of the School District to provide for the issuance of a tax anticipation note in the principal amount of not to exceed \$2,900,000 in anticipation of the collection of the *ad valorem* taxes and State Reimbursement for the 2013-2014 fiscal year, the millage for such tax to be levied by the Aiken County Auditor.

(k) SCAGO has established a program (the "SC TAN Program") for the purchase of tax anticipation notes issued by school districts of the State, including the School District and to, thereupon, cause the execution and delivery of Certificates pursuant to the Trust Agreement between SCAGO and the Trustee, with respect thereto in order to provide an efficient system of cash flow borrowing for school districts in South Carolina. Participation in the SC TAN Program is in the best interest of the School District and is hereby approved and authorized.

Section 3. Authorization. The Board hereby authorizes the issuance of its not to exceed \$2,900,000 tax anticipation note (the "Note") in the aggregate principal amount and with the specific terms set forth in the form of the Note provided for hereby. The interest rate on the Note shall, except to the extent a penalty rate may apply due to a default by the School District, be the per annum rates accepted by SCAGO as a result of the sale of the Certificates. The Chair or Vice-Chair of the Board or the District Superintendent, or any of them acting alone, is hereby authorized to accept such interest rate on behalf of the School District, such acceptance to be conclusively evidenced by the execution of the Note by the Chair or Vice-Chair of the Board. The Note shall provide that if the School District fails to make the sinking fund deposit on or before the date required for such deposit under the terms of this Resolution, the Note shall bear interest from such date until the date of deposit at the per annum rate set forth in the Note plus two percent (2%) to and including the date of final payment thereunder.

Section 4. Form. The Note shall be issued as a fully registered Note; shall be designated "The Consolidated School District of Aiken County, South Carolina, Tax Anticipation Note, Series 2013"; and shall be substantially in the form set forth in Exhibit A. The Note shall be of a single denomination, which shall be an integral multiple of \$1,000, in the principal amount of not to exceed \$2,900,000. The Note shall bear interest at the stated interest rate on the principal amount thereof, payable at maturity, except to the extent a penalty rate may apply due to a payment default by the School District.

The Note shall not be subject to redemption prior to maturity, shall be negotiable, shall be dated the date of its initial delivery to SCAGO, and, subject to the provisions of Section 7 hereof, shall be payable as to principal and interest not later than April 15, 2014, in such coin or currency of the United States of America as shall be legal tender for the payment of public and private debts at the time and place of payment.

Section 5. Execution and Delivery of Note; Disbursement of Funds. The Note shall be executed by the Chair or Vice-Chair of the Board and duly attested by the Secretary of the Board or other Authorized Officer of the School District. Any of the Authorized Officers are further authorized and directed to deliver the Note to SCAGO or its assignee, upon the terms and conditions provided herein and under the SC TAN Program; to receive or cause the proceeds therefor to be received; execute and deliver such certificates and other closing documents and take such other action as may be necessary or appropriate in order to effectuate

the proper issuance, sale and delivery of the Note including, but not limited to, a Certificate as to Collections and Expenditures and an IRS Form 8038-G.

Each school district participating in the SC TAN Program will be the issuer of its own tax anticipation note. Undivided proportionate interests in the tax anticipation notes of the other school districts including the Note will be evidenced by the Certificates. The Board approves and consents to the assignment and pledge by SCAGO of the Note to the Trustee and approves the execution and delivery by the Trustee of the Certificates upon payment of the purchase price thereof, as contemplated by the SC TAN Program.

Upon purchase and delivery of the Note there shall be established with the Trustee a disbursement account in the name of The Consolidated School District of Aiken County, South Carolina, to be known as "The Consolidated School District of Aiken County, South Carolina, Tax Anticipation Note, Series 2013 Disbursement Account" (the "Disbursement Account"), which shall be the Disbursement Account for the Note required to be established under the Trust Agreement. An amount equal to the principal amount of the Note shall be deposited in the Disbursement Account upon delivery of the Note. The School District may withdraw amounts from the Disbursement Account on the date of delivery of the Note and thereafter on any Business Day, to and including the last Business Day preceding the Discharge Date.

Disbursements from the Disbursement Account shall be made upon the written order of an Authorized Officer of the School District or the County Treasurer, as designated on the appropriate form, subject to any SC TAN Program limitations regarding withdrawals for purposes of reinvestment. The School District may redeposit amounts in the Disbursement Account, as permitted by SC TAN Program limitations, up to an amount that, together with other amounts on deposit in the Disbursement Account (exclusive of any interest earned), does not exceed the original principal amount of its Note. On the Discharge Date, all amounts in the Disbursement Account required to discharge this Resolution under Section 18 hereof shall be transferred by the Trustee to the related Sinking Fund Account established under Section 8 hereof. Earnings on amounts on deposit in the Disbursement Account which remain therein after discharge of this Resolution shall be payable to the School District as provided in the Trust Agreement.

Section 6. Payment. Payment of or on account of the interest on and principal of the Note shall be made by the School District directly to the Trustee as assignee of SCAGO under the Trust Agreement. All such payments shall be valid and effectual to satisfy and discharge the liability of the School District under the Note to the extent of the sum or sums so paid.

Section 7. Security; Issuance of Additional Notes. For the payment of the principal of and interest on the Note as the same respectively mature, there are hereby pledged (a) the *ad valorem* taxes authorized to be levied pursuant to the actions of the Board; (b) the State Reimbursement; and (c) the full faith, credit and taxing power of the School District (collectively the "Pledged Revenue").

To the extent permitted by applicable law, in the event of any default on any Note or hereunder, the School District agrees to pay the reasonable expenses of the Owner thereof (including court costs and attorney's fees) incurred in collecting any amounts due under the Note.

The School District reserves the right to issue additional notes secured by the Pledged Revenue on a parity with the Note.

Section 8. Sinking Fund; Payment of Note. The Trustee is hereby appointed Sinking Fund Depository with respect to the Note.

There is hereby established with the Trustee a sinking fund for the Note issued in the name of The Consolidated School District of Aiken County, South Carolina, to be known as "The Consolidated School District of Aiken County, South Carolina Tax Anticipation Note, Series 2013 Sinking Fund" ("Sinking Fund"), which shall be the Sinking Fund Account required to be established under the Trust Agreement. The School District covenants to deposit to the applicable Disbursement Account for transfer to the applicable Sinking Fund, and the District Superintendent is hereby authorized and directed to deposit or cause to be deposited, notwithstanding the maturity date of the Note, the Sinking Fund payment relating to the Note on the Discharge Date, in the amount required to discharge this Resolution under the provisions of Section 18 hereof, less any amounts transferred to that Sinking Fund from the Disbursement Account as provided in Section 5 hereof. The Trustee shall, without further authorization from the School District, withdraw from the Sinking Fund, at the maturity date of the Note, the amounts necessary to pay principal of and interest on the Note to the Owner thereof, but only upon surrender of the Note.

Section 9. Tax Covenants and Determinations.

(a) The School District hereby covenants with SCAGO and the Trustee that it will make no use of the proceeds of the Note which, if such use had been reasonably expected on the date of issue of the Note, would have caused the Note to be an "arbitrage bond" within the meaning of Section 148 of the IRC of 1986, as amended and the applicable regulations thereunder (the "Code") and that it will not take any action which will, or fail to take any action which failure will, cause interest on the Note to become includable in the gross income of the Owner thereof for federal income tax purposes pursuant to the provisions of the IRC in effect on the date of original issuance of the Note.

(b) The School District expects that the Note will qualify for an exception from arbitrage rebate imposed by Section 148 of the IRC because (i) the School District is a governmental unit with general taxing powers; (ii) the Note is not a private activity bond within the meaning of the IRC; (iii) at least ninety-five percent (95%) of the net proceeds of the Note are to be used for local government activities of the School District; and (iv) the aggregate face amount of all tax-exempt obligations (other than private activity bonds) issued by the School District (and all subordinate entities thereof) during the calendar year of 2013 is not reasonably expected by the School District to exceed \$5 million for purposes other than construction of school facilities and bonds issued for construction of school facilities purposes will not exceed \$10 million OR the cumulative cash flow deficit of the School District occurring within six months of the date of issuance of the Note will be at least equal to ninety percent (90%) of the principal amount of the Note (calculated in accordance with Section 1.148(f)(4)(B)(iii) of the IRC and Section 1.148-6(d)(3)(iii) of the Treasury Regulations).

(c) To the extent that the Note does not qualify for either of the exceptions from arbitrage rebate described in Section 9(b) above (or any other applicable exception from arbitrage rebate), the School District hereby covenants and agrees to determine the amount, if any, that the School District is required to rebate to the U.S. Treasury because the earnings on such investments exceed the amount that would have been earned if such proceeds had been invested at the yield on the Note. The School District will make the calculation of its liability, file such reports and make any required payments no later than June 15, 2014.

(d) The School District hereby covenants and agrees with SCAGO and the Trustee that it will not use the proceeds of the Note in a manner which will cause interest on the Note to become includable in the gross income of the Owner thereof for federal income tax purposes, and to that end the School District hereby shall:

(i) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the IRC so long as the Note is outstanding;

(ii) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the IRC relating to required arbitrage rebate of certain amounts to the United States; and

(iii) make such returns at the time and places required by the IRC.

Section 10. Exemption from State Taxes. Both the principal of and interest on the Note shall in accordance with the provisions of Section 12-2-50 of the S.C. Code, as amended, be exempt from all State, county, municipal, school district, and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

Section 11. Events of Default. Each of the following events is hereby defined as, and is declared to be and to constitute, an "Event of Default" hereunder:

(a) If default shall be made in the due and punctual payment of principal of or any interest on the Note, including failure to make when due the Sinking Fund payment under Section 8; or

(b) If the School District shall default in the performance of any covenant, agreement or condition on its part to be performed under the Note or this Resolution other than a default in payment, and such default shall continue for a period of 30 days.

Section 12. Enforcement of Covenants and Conditions. In any case of an Event of Default, the Owner of the Note or the Trustee on behalf of the Owner may take such action or actions for the enforcement of its rights, including commencement of an action for mandamus or other appropriate action to require the School District to comply with the terms of this Resolution.

Section 13. Remedies. The School District consents to the inclusion of provisions in the Trust Agreement which provide that:

(a) In any case of an Event of Default (as defined in the Trust Agreement), the Trustee may take such action or actions for the enforcement of the rights of the registered holders of the Certificates as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care, including commencement of an action for mandamus or other appropriate action to require the School District in default to comply with the terms of this Resolution.

(b) If a School District shall fail or refuse to make any required deposit in its Disbursement Account in order to make the transfer to its Sinking Fund Account, the Trustee shall, within two (2) Business Days of such failure, (i) notify any agency of the State or any political subdivision thereof which may collect and distribute taxes or revenues for such School District to seek any available necessary or proper remedial action; and (ii) upon being indemnified against cost and expense, exercise any remedy provided at law or in equity for the benefit of the registered holders of the Certificates or any assignee of the Note, and shall disburse all funds so collected to the holders of such Certificates or assignee of the Note as payment of the Note.

(c) The Trustee may also enforce any such other appropriate legal or equitable remedy as it shall deem most effectual to protect and enforce any of its rights or any of the rights of the registered holders of the Certificates, including but not limited to such rights and remedies as may be available under the Enabling Acts.

Section 14. Award. The Authorized Officers are hereby authorized to sell the Note at private sale by negotiation to SCAGO, at no less than par, in accordance with the terms and conditions of the SC TAN Program.

Section 15. Acknowledgement of Certificates; Limitation of Liability. The School District, by participating in the SC TAN Program, recognizes the rights of the registered holders of the Certificates, acting directly or through the Trustee, to enforce the obligations and covenants contained in the Note and this Resolution; provided that in no event shall the School District be liable for any obligations, covenants or damages except those which arise out of the Note herein authorized and this Resolution, and, in particular, the School District shall not be liable for any obligations, liabilities, acts or omissions of SCAGO or any other school district participating in the SC TAN Program.

Section 16. Delegation of Authority. Other than the amount of the Note, the interest rate of the Note and the due date of the Note (not later than April 15, 2014), the Board delegates to the Chair or Vice-Chair of the Board and the District Superintendent, or any of them acting alone, the authority to, without further action of the Board, amend the form of the Note, to approve the form of the Trust Agreement or other legal documents securing and providing for payment of the Note to cure any formal defect, omission, inconsistency, or any other ambiguity and to add provisions necessary for the SC TAN Program to be rated appropriately by a nationally recognized rating agency or agencies.

Section 17. Resolution a Contract; Amendment. This Resolution shall be a contract with the Owner, from time to time, of the Note. This Resolution may be amended, without the consent of the registered holders of the Certificates or assignee of the Note, but only for the purpose of (a) adding to the covenants and agreements of the School District, additional covenants, or surrendering any right or power therein reserved to the School District; (b) curing any ambiguity, correcting defects, or supplementing any ambiguous provision contained herein; (c) answering questions arising under the Trust Agreement and this Resolution; (d) maintaining federal tax exemption of interest on the Certificates and the Note; or (e) for any other purpose which shall not adversely affect the respective interests of the Owner of the Note or the registered holder of the Certificates.

Section 18. Discharge of Resolution. If the School District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of the Note the total principal and interest due or to become due thereon through maturity (as determined in accordance with the Trust Agreement), in the manner stipulated therein and in this Resolution, then the pledge of current taxes and current revenues under this Resolution, and all covenants, agreements and other obligations of the School District hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied with respect to the Note for which such payment was made. Whenever there shall be paid into the applicable Sinking Fund, the Sinking Fund installment for the Note, as described in Section 8 hereof, on or prior to the date required for such payment, the Note shall be deemed no longer outstanding hereunder and the lien on the taxes and revenues relating to the Note created hereby shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 19. Disclosure. In compliance with Section 11-1-85 of the S.C. Code, the School District covenants that it will file or cause to be filed with a central repository for further availability in the secondary bond market when requested: (a) a copy of the annual audit of the School District within thirty (30) days of the School District's receipt thereof; and (b) within thirty (30) days of the occurrence thereof, relevant information of an event which, in the opinion of the School District, adversely affects more than five percent (5%) of the School District's revenue or its tax base.

Section 20. Authority to Execute Documents. The Board hereby authorizes the Authorized Officers to execute such certificates, documents and instruments as necessary to effect the issuance of the

Note. The Board hereby authorizes the District Superintendent to retain McNair Law Firm, P.A., as Bond Counsel and Southwest Securities, Inc., as Financial Advisor, with regard to the issuance of the Note.

Section 21. Severability. If any one or more of the provisions of this Resolution should be determined by a court of competent jurisdiction to be contrary to law then such provisions shall be deemed to be severable from all remaining provisions and shall not affect the validity of such other provisions.

Section 22. Inconsistent Actions. All prior resolutions or parts thereof inconsistent herewith are hereby repealed.

Section 23. Effective Date. This Resolution shall become effective immediately upon adoption, as provided by law.

[Signature page follows]

DULY ADOPTED by the Board of Education of the School District on May 28, 2013.

THE CONSOLIDATED SCHOOL DISTRICT OF
AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

Chair, Board of Education

ATTEST:

Secretary, Board of Education

EXHIBIT A

**FORM OF
THE CONSOLIDATED SCHOOL DISTRICT OF AIKEN COUNTY, SOUTH CAROLINA
TAX ANTICIPATION NOTE
SERIES 2013**

Issuance Date: _____, 2013
Discharge Date: _____, 2014
Maturity Date: _____, 2014
Principal Amount: \$ _____
Interest Rate: _____%

The Consolidated School District of Aiken County, South Carolina (the "School District"), for value received and intending to be legally bound, hereby acknowledges itself indebted and promises to pay to the South Carolina Association of Governmental Organizations ("SCAGO") or its assignee, the Principal Amount set forth above, together with interest thereon from the Issuance Date hereof at the interest rate per annum shown above (calculated on the basis of a 360-day year of twelve 30-day months) payable on the Maturity Date hereof, at the principal corporate trust office of _____ in _____, as trustee (the "Trustee"), in such coin or currency of the United States of America as at the time and place of payment is legal tender for the payment of public and private debts all as hereinafter contained and in the Resolution (hereinafter referred to) authorizing this Note. This Note is not subject to redemption prior to its Maturity Date.

The School District has agreed to cause the amount necessary to discharge its obligation to pay the principal amount and interest due on this Note to be deposited into a sinking fund on the Discharge Date.

This Note is issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina, including Article X, Section 15, paragraph (7) of the Constitution of the State of South Carolina, 1895, as amended; Section 11-27-50(4) and Section 59-69-270 Code of Laws of South Carolina 1976, as amended; and the Resolution authorizing the issuance of this Note duly adopted by the governing body of the School District (the "Resolution").

This Note is issued in anticipation of the collection of ad valorem taxes heretofore authorized by due corporate action of the governing body of the School District and any other legal entity with statutory authority, if any, to approve the School District's budget, and State Reimbursement (as referred to in the Resolution), and is payable, both as to principal and interest, from the collection thereof.

This Note is a general obligation of the School District, and there is hereby pledged to the payment of the principal hereof and interest hereon all ad valorem taxes levied by the School District pursuant to the aforesaid corporate action for the fiscal year beginning July 1, 2013, and ending June 30, 2014, and the full faith, credit and taxing power of the School District.

No recourse shall be had for the payment of the principal of or the interest on this Note, or for any claim based hereon, against any officer, agent or employee, past, present or future, of the School District, as such, either directly or through the School District, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise; all such liability of such officers, agents or employees is hereby renounced, waived and released as a condition of and as consideration for the issuance, execution and acceptance of this Note.

Notwithstanding the Interest Rate set forth above, if the School District fails to make the sinking fund deposit on or before the date required for such deposit under the Note Resolution, this Note shall bear interest from such date until the date of deposit at the per annum rate set forth above plus two percent (2%) to and including the date of final payment hereunder.

This Note will be assigned to the Trustee under a Trust Agreement dated as of _____, between the Trustee and SCAGO.

Under the laws of the State of South Carolina, this Note and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of South Carolina to exist, to happen, and to be performed precedent to or in the issuance of this Note exist, have happened and have been done and performed in regular and due time, form and manner as required by law; that provision has been made for the levy and collection of ad valorem taxes sufficient to pay the principal of and interest on this Note as the same shall become due and payable; and that the amount of this Note, together with all other indebtedness of the School District does not exceed the applicable limitation of indebtedness under the laws of the State of South Carolina.

IN WITNESS WHEREOF, THE CONSOLIDATED SCHOOL DISTRICT OF AIKEN COUNTY, SOUTH CAROLINA has caused this Note to be executed in its name by the manual or facsimile signature of the Chair of the Board of Education and attested by the manual or facsimile signature of the Secretary of the Board of Education under the seal of the School District and this Note to be dated as of the _____ day of _____, 2013.

THE CONSOLIDATED SCHOOL DISTRICT OF
AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

Chair, Board of Education

ATTEST:

Secretary, Board of Education

REGISTRATION

This Note has been registered in the name of the South Carolina Association of Governmental Organizations on registration books kept by the School District.

Dated this ___ day of _____, 2013.

Secretary, Board of Education, The Consolidated School
District of Aiken County, South Carolina

ASSIGNMENT

The within Tax Anticipation Note is hereby assigned to _____, as Trustee under a Trust Agreement dated as of _____, 2013, between such Trustee and the South Carolina Association of Governmental Organizations, a South Carolina nonprofit corporation.

SOUTH CAROLINA ASSOCIATION OF
GOVERNMENTAL ORGANIZATIONS

By _____
Chair

Date: _____, 2013.