

*In the opinion of Bond Counsel, assuming continuing compliance with certain covenants of the County described herein, (i) interest on the Series 2010A Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions (except with respect to the interest on any Series 2010A Bond for any period during which such Series 2010A Bond is held by a "substantial user" or a "related person" as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder), (ii) interest on the Series 2010A Bonds is not a specific item of tax preference for purposes of the alternative minimum tax on individuals and corporations and will not be included in "adjusted current earnings" for purposes of determining the alternative minimum taxable income of corporations, and (iii) the Series 2010 Bonds and the interest thereon will be exempt from taxation under the laws of the State of South Carolina except for estate or other transfer and certain franchise taxes. The Series 2010B Bonds are being issued as obligations the interest on which is not exempt from taxation as gross income under Section 103 of the Code. See "TAX MATTERS" herein.*

## **HORRY COUNTY, SOUTH CAROLINA**

### **\$50,870,000 Airport Revenue Bonds, Series 2010A (Non-AMT)**

### **\$9,720,000 Taxable Airport Revenue Bonds, Series 2010B (Recovery Zone Economic Development Bonds-Direct Payment)**

**Dated: Date of Delivery**

**Due: As shown on inside front cover**

The Series 2010A Bonds and Series 2010B Bonds (together, the "Series 2010 Bonds") will be issued by Horry County, South Carolina (the "County"), as fully-registered bonds in denominations of \$5,000 or any integral multiple thereof and will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be available to purchasers under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not be entitled to receive physical delivery of the Series 2010 Bonds. For so long as any purchaser is the beneficial owner of a Series 2010 Bond, the purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of principal and interest on such Series 2010 Bond. See "THE SERIES 2010 BONDS – Book-Entry Only System" herein.

The Series 2010 Bonds will be issued under the Ordinances and be secured by a pledge of and lien on the Revenues (as such terms are defined herein) of the Myrtle Beach International Airport (the "Airport") which remain after payment of Operation and Maintenance Expenses, except as to Available PFC Revenues, as more particularly set forth herein, which pledge and lien will rank on a parity with the pledge and lien securing any Additional Bonds (as such terms are defined herein) that may be issued from time to time under the conditions prescribed in the Ordinances.

Interest on the Series 2010 Bonds is payable on July 1, 2011, and on each January 1 and July 1 thereafter. The Bank of New York Mellon Trust Company, N.A. shall act as Trustee for the Series 2010 Bonds.

**The Series 2010 Bonds are subject to optional and mandatory redemption prior to maturity as described more fully herein.**

The Series 2010A Bonds are being issued to (i) pay a portion of the cost of construction of the Terminal Capacity Enhancement Program (as defined herein) at the Airport, (ii) fund a portion of the interest on the Series 2010A Bonds through December 1, 2012, (iii) fund a portion of the Debt Service Reserve Requirement with respect to the Series 2010 Bonds, and (iv) pay costs of issuance of the Series 2010A Bonds.

The Series 2010B Bonds are being issued to (i) pay a portion of the cost of the Harrelson Boulevard Improvements (as defined herein), (ii) fund a portion of the interest on the Series 2010B Bonds through December 1, 2011, (iii) fund a portion of the Debt Service Reserve Requirement with respect to the Series 2010 Bonds, and (iv) pay costs of issuance of the Series 2010B Bonds.

The scheduled payment of principal of and interest on certain maturities (or portions of maturities) of the Series 2010A Bonds, as identified on the inside front cover (collectively, the "Insured Series 2010A Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2010A Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.). See "BOND INSURANCE" herein.



THE SERIES 2010 BONDS ARE LIMITED OBLIGATIONS OF THE COUNTY, THE PRINCIPAL OF, INTEREST AND PREMIUM, IF ANY, ON WHICH SHALL BE PAYABLE SOLELY FROM THE REVENUES OF THE AIRPORT WHICH REMAIN AFTER PAYMENT OF OPERATION AND MAINTENANCE EXPENSES (INCLUDING, IN THE CASE OF THE SERIES 2010A BONDS, CERTAIN AVAILABLE PFC REVENUES AS MORE PARTICULARLY SET FORTH HEREIN), AND CERTAIN FUNDS ESTABLISHED PURSUANT TO THE ORDINANCES, AND SECURED BY A STATUTORY LIEN ON THE AIRPORT, AND SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE COUNTY. THE SERIES 2010 BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION, OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. NO HOLDER OF ANY SERIES 2010 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF SOUTH CAROLINA (THE "STATE") OR THE COUNTY TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE SERIES 2010 BONDS, NOR TO ENFORCE PAYMENT AGAINST ANY PROPERTY OF THE STATE OR THE COUNTY, NOR SHALL THE SERIES 2010 BONDS CONSTITUTE A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE STATE OR THE COUNTY OTHER THAN THE STATUTORY LIEN ON THE AIRPORT PROVIDED FOR BY THE ACT (AS SUCH TERM IS DEFINED HEREIN).

**This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.**

*The Series 2010 Bonds are offered when, as, and if issued and subject to the approval as to legality by McNair Law Firm, P.A., Columbia, South Carolina, Bond Counsel. McNair Law Firm, P.A. is also serving as Disclosure Counsel to the County in connection with the offering of the Series 2010 Bonds. Certain legal matters will be passed upon for the County by Arrigo P. Carotti, Esquire, Conway, South Carolina, County Attorney, and for the Underwriters by Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina. Frasca & Associates, L.L.C., New York, New York, is serving as financial advisor to the County. It is expected that the Series 2010 Bonds will be available in definitive form for delivery through the facilities of DTC in New York, New York, on or about November 17, 2010.*

**AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS**

**\$50,870,000 Series 2010A Bonds**

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2014*	\$1,215,000	4.00%	2.08%	44066MDK3
2015*	1,270,000	4.00	2.40	44066MDL1
2016*	1,320,000	4.00	2.75	44066MDM9
2017*	1,370,000	3.00	3.11	44066MDN7
2018*	100,000	5.00	3.36	44066MDP2
2018	1,315,000	5.00	3.56	44066MDZ0
2019*	1,480,000	4.00	3.62	44066MDQ0
2020	390,000	4.00	4.01	44066MDR8
2020	1,150,000	5.00	4.01	44066MDY3
2021	1,615,000	4.00	4.19	44066MDS6
2022*	1,680,000	4.00	4.10	44066MDV9
2023*	1,745,000	5.00	4.20 <sup>c</sup>	44066MDW7

\$5,750,000 4.375% Term Bonds due July 1, 2026, Yield 4.50%, \* CUSIP\*\* 44066MDX5

\$5,585,000 5.00% Term Bonds due July 1, 2030, Yield 5.00%, CUSIP\*\* 44066MDT4

\$3,310,000 4.50% Term Bonds due July 1, 2030, Yield 4.80%, \* CUSIP\*\* 44066MEA4

\$21,575,000 5.00% Term Bonds due July 1, 2040, Yield 5.18%, CUSIP\*\* 44066MDU1

**\$9,720,000 Series 2010B Bonds**

\$9,720,000 7.328% Term Bonds due July 1, 2040, Yield 7.328%, CUSIP\*\* 44066MEB2

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\* Insured by municipal bond insurance policy of Assured Guaranty Municipal Corp. See "BOND INSURANCE" herein.

\*\* CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2010 Bonds and the County or the Underwriters are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>c</sup> Yield to the first optional call date.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation in connection with the offering of the Series 2010 Bonds, other than the information and representations contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2010 Bonds by any person, in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale.

Information in this Official Statement has been obtained by the Underwriters from the County and other sources believed to be reliable. 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 responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

NEITHER THE SERIES 2010 BONDS NOR THE ORDINANCES HAVE BEEN REGISTERED OR QUALIFIED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 304(A)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2010 BONDS AND THE ORDINANCES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2010 BONDS AND THE ORDINANCES HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY, THE AIRPORT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Bank of New York Mellon Trust, N.A., as Trustee (the "Trustee"), has provided the following sentence for inclusion in this Official Statement. The Trustee has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement, and the Trustee makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series 2010 Bonds, or (iii) the tax-exempt status of the interest on any of the Series 2010 Bonds.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Series 2010 Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Exhibit F - Specimen Municipal Bond Insurance Policy."

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2010 Bonds

shall under any circumstances create any implication that there has been no change in the affairs of the County or the Airport since the date hereof.

This Official Statement contains statements relating to future results that are “forward-looking statements.” When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements.

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The County’s independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The Airport’s independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the County’s independent auditors assume no responsibility for its content.

## **MEMBERS OF HORRY COUNTY COUNCIL**

Liz Gilland, Chairman  
W. Paul Prince, Vice Chairman

Harold G. Worley	Brent Schulz
Marion Foxworth, III	Gary Loftus
Howard D. Barnard, III	Bob Grabowski
James R. Frazier	Carl Schwartzkopf
Jody Prince	Al Allen

John Weaver  
County Administrator

## **HORRY COUNTY DEPARTMENT OF AIRPORTS**

Michael La Pier, A.A.E.  
Director, Horry County Department of Airports

Patricia Apone, A.A.E.  
Deputy Director, Finance and Administration

Robert Woods  
Assistant Director of Airports

Kenneth Hawk, Jr., P.E.  
Airport Engineer

B. Michael Marlowe  
General Aviation Manager

### **ADVISORS**

Frasca & Associates, L.L.C.  
Financial Advisor

Ricondo & Associates, Inc.  
Airport Consultant

McNair Law Firm, P.A.  
Bond Counsel

### **INDEPENDENT AUDITORS**

Scott and Company LLP

*TABLE OF CONTENTS*

<i>SUMMARY STATEMENT</i>	<i>i</i>
<i>INTRODUCTION</i>	<i>1</i>
<i>THE SERIES 2010 BONDS</i>	<i>2</i>
General	2
Payment Details of the Series 2010 Bonds	2
Registration	2
Designation of the Series 2010B Bonds as Recovery Zone Economic Development Bonds	3
Redemption of Series 2010A Bonds	3
Redemption of Series 2010B Bonds	5
Notice of Redemption	6
Selection of Bonds for Redemption	7
Book-Entry Only System	7
<i>SECURITY FOR THE BONDS</i>	<i>9</i>
Pledge of Revenues and Statutory Lien	9
Limited Obligations	10
Rate Covenant	10
Application of Revenues	10
Debt Service Reserve Fund and Accounts Therein	12
PFC Revenue Bond Fund	13
Additional Bonds	14
Remedies	16
<i>BOND INSURANCE</i>	<i>16</i>
Bond Insurance Policy	16
Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)	17
<i>CERTAIN RIGHTS OF AGM</i>	<i>18</i>
<i>THE 2010 PROJECTS</i>	<i>19</i>
Terminal Capacity Enhancement Program	19
Harrelson Boulevard Improvements	21
Costs of the 2010 Projects	21
<i>SOURCES AND USES OF FUNDS</i>	<i>23</i>
Estimated Sources and Uses of Funds	23
Debt Service Requirements	24
<i>THE COUNTY AND THE DEPARTMENT OF AIRPORTS</i>	<i>25</i>

The County	25
The Department of Airports	25
Organization and Management	25
County Airports	26
<i>THE AIRPORT</i>	26
Air Service Area	26
Description of the Airport	27
Air Force Base Land and Facilities	28
Environmental Remediation	29
Rental Car Contract Facility Charge Program	30
Passenger Facility Charge Program	31
Federal Grants	31
Passenger Enplanements	32
Airlines and Market Share	34
Origin and Destination Markets	36
Commercial Passenger Aircraft Operations	36
Airline Revenues	37
Concessions	37
FBO and Airline Services	39
Non-System Amounts	39
Other Operating Revenue	40
Key Factors Affecting Future Passenger Traffic	40
<i>AIRPORT USE AGREEMENT</i>	40
General	40
Signatory Airline Agreements	40
Signatory Indirect Airline Agreement	42
Non-Signatory Airlines	42
<i>FINANCIAL FACTORS</i>	42
Five-Year Summary	42
Management's Discussion and Analysis	44
Capital Projects	45
Outstanding Debt	46
Historical Debt Service Coverage	46
Airport Cash and Reserves	47
<i>SUMMARY OF REPORT OF THE AIRPORT CONSULTANT</i>	47

General	47
Projected Net Revenues and Debt Service Coverage	48
<i>CERTAIN INVESTMENT CONSIDERATIONS</i>	49
Series 2010 Bonds Are Special Obligations	49
Factors Affecting the Airline Industry	49
Bankruptcy by Airlines and Concessionaires	51
Major Carrier Dependence	52
Aviation Security Concerns	52
Worldwide Health Concerns	53
Regulations and Restrictions Affecting the Airport	53
Federal Law Affecting Airport Rates and Charges	53
Restrictions on Airport Facilities and Operations	54
Factors Affecting the 2010 Project	54
Unavailability of, or Delay in, Anticipated Funding Sources	54
Availability of Passenger Facility Charges	55
Report of the Airport Consultant	55
Climate Change Issues	56
Ability To Meet Rate Covenant	57
Enforceability of Remedies; Limitation on Remedies	58
Considerations Regarding Series 2010B Bonds (Recovery Zone Economic Development Bonds)	58
Income Taxation Risk Upon Defeasance of the Series 2010B Bonds	58
<i>LEGALITY</i>	58
<i>AIRLINE INFORMATION</i>	59
<i>LITIGATION</i>	59
<i>RATINGS</i>	59
<i>UNDERWRITING</i>	60
<i>FINANCIAL ADVISOR</i>	60
<i>INDEPENDENT AUDITORS</i>	61
<i>TAX MATTERS</i>	61
Opinion of Bond Counsel	61
The Series 2010A Bonds	61
Series 2010B Bonds (Federally Taxable)	63
South Carolina Taxation	65
<i>ENFORCEABILITY OF REMEDIES</i>	65
<i>CONTINUING DISCLOSURE</i>	65

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APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE HORRY COUNTY,  
SOUTH CAROLINA AIRPORT ENTERPRISE FUND FOR THE FISCAL YEARS  
ENDED JUNE 30, 2010 AND 2009 .....A-1

APPENDIX B – REPORT OF THE AIRPORT CONSULTANT .....B-1

APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES .....C-1

APPENDIX D – FORM OF BOND COUNSEL OPINION .....D-1

APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.....E-1

APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY ..... F-1

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## SUMMARY STATEMENT

*The following Summary Statement is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Official Statement and the Appendices hereto (collectively, the "Official Statement"). All capitalized terms not otherwise defined in the Summary Statement shall have the meanings ascribed to such terms elsewhere, in this Official Statement and APPENDIX C hereto. The offering of the Series 2010 Bonds to potential investors is made only by means of this entire Official Statement and no person is authorized to detach this Summary Statement from the Official Statement or to otherwise use it without the entire Official Statement.*

**The Series 2010 Bonds** The \$50,870,000 Airport Revenue Bonds, Series 2010A (the "Series 2010A Bonds") and \$9,720,000 Taxable Airport Revenue Bonds, Series 2010B (the "Series 2010B Bonds," together with the Series 2010A Bonds, the "Series 2010 Bonds") are being issued by Horry County, South Carolina, a political subdivision of the State of South Carolina (the "County"), initially in book-entry only form in principal amounts of \$5,000 and integral multiples thereof. See "THE SERIES 2010 BONDS."

**Date of Issue** The Bonds will be initially dated and bear interest from their date of delivery.

**Delivery of Series 2010 Bonds** It is expected that the Series 2010 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about November 17, 2010.

**Interest Payments** Interest on the Series 2010 Bonds is payable on each January 1 and July 1 commencing July 1, 2011.

**Maturities** The Series 2010A Bonds mature serially on July 1, 2014 through 2023, and as term bonds maturing July 1, 2026, 2030 and 2040, and the Series 2010B Bonds mature as term bonds due July 1, 2040, as indicated on the inside front cover hereof.

**Redemption** The Series 2010A Bonds maturing on or after July 1, 2021, are subject to redemption prior to maturity, at the option of the County on and after July 1, 2020, at a redemption price equal to 100% of the principal amount, plus accrued interest to the date of redemption, as set forth in "THE SERIES 2010 BONDS – Redemption of Series 2010A Bonds – *Optional Redemption*." The Series 2010A Bonds maturing July 1, 2026, 2030 and 2040 are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date as set forth in "THE SERIES 2010 BONDS – Redemption of Series 2010A Bonds-*Mandatory Sinking Fund Redemption of Series 2010A Bonds*." See "THE SERIES 2010 BONDS-Redemption of Series 2010A Bonds."

The Series 2010B Bonds are subject to redemption at the option of the County at any time and from time to time at a redemption price equal to 100% of the principal amount thereof, together with interest accrued to the redemption date, plus, under the circumstances described under "THE SERIES 2010 BONDS – Redemption of Series 2010B Bonds-*Optional Redemption of Series 2010B Bonds with Make-Whole Payment*," a make-whole payment. The Series 2010B Bonds are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date as set forth in "THE SERIES 2010 BONDS – Redemption of Series 2010B Bonds – *Mandatory Sinking Fund Redemption of Series 2010B Bonds*." The Series 2010B Bonds are subject to optional redemption in whole or in part at any time upon the occurrence of an Extraordinary Event (as defined herein) at a redemption price equal to 100% of the principal amount thereof, together with interest accrued to the redemption date plus, under the circumstances described under "THE SERIES 2010 BONDS-Redemption of Series 2010B Bonds-*Extraordinary Optional Redemption of the Series 2010B Bonds*," a make-whole payment. See "THE SERIES 2010 BONDS-Redemption of Series 2010B Bonds."

<b>Source of Payment</b>	The Series 2010 Bonds are secured by a pledge of and lien on the Revenues of the Myrtle Beach International Airport (the "Airport"), which remain after the payment of Operation and Maintenance Expenses (except as to certain Available PFC Revenues, as more particularly set forth herein), and a statutory lien on the Airport, which pledge and liens rank on a parity with the pledge and liens securing any Additional Bonds hereafter issued. See "SECURITY FOR THE BONDS."
<b>Bond Insurance</b>	The scheduled payment of principal of and interest on certain maturities (or portions of maturities) of the Series 2010A Bonds, as identified on the inside front cover page hereof, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2010A Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.). See "BOND INSURANCE" herein.
<b>Purposes of the Issue</b>	The Series 2010A Bonds are being issued to (i) pay a portion of the cost of construction of the Terminal Capacity Enhancement Program at the Myrtle Beach International Airport (the "Airport"), (i) fund a portion of the interest on the Series 2010A Bonds through December 1, 2012, (iii) fund a portion of the Debt Service Reserve Requirement with respect to the Series 2010 Bonds, and (iv) pay costs of issuance of the Series 2010A Bonds. The Series 2010B Bonds are being issued to (i) pay a portion of the cost of the Harrelson Boulevard Improvements, (ii) fund a portion of the interest on the Series 2010B Bonds through December 1, 2011, (iii) fund a portion of the Debt Service Reserve Requirement with respect to the Series 2010 Bonds, and (iv) pay costs of issuance of the Series 2010B Bonds. See "INTRODUCTION," "THE 2010 PROJECT" and "SOURCES AND USES OF FUNDS."
<b>The Airport</b>	The Airport is a County facility consisting of a passenger terminal complex, a 9,500-foot lighted runway and related taxiways, a general aviation apron and supporting buildings and hangars. Such facilities are located on or adjacent to property formerly utilized as the Myrtle Beach Air Force Base and which was conveyed to the County by the United States Air Force. The following scheduled air carriers served the Airport in Fiscal Year 2010: Allegiant, American (including American Eagle), Continental (including Colgan), Delta (including Atlantic Southeast, Comair, Mesaba and Shuttle America), MB Direct, Porter, Spirit, United (including Shuttle America) and US Airways (including Air Wisconsin, Chautauqua, Mesa, PSA and Republic). The Airport is also served by a number of charter services. The Airport enplaned 765,156 passengers in the Fiscal Year ended June 30, 2010.
<b>Air Service Area</b>	The Air Service Area consists of the South Carolina counties of Horry and Georgetown. Tourism constitutes the major industry in the Air Service Area. The Air Service Area is one of the primary tourist destinations on the East Coast. Population and employment have grown steadily in the Air Service Area since 1990.
<b>Airport Use Agreements</b>	The County is party to Airport Use Agreements (as defined herein) to which the airlines serving the Airport (and their carriers) are subject. The Airport Use Agreements set rents, rates and charges for the Airport terminal and associated apron to be paid by the Airlines sufficient to cover the capital costs and costs of operation allocable to Airlines. In addition, the Airport Use Agreements provide that the Airlines will pay landing fees which, along with other airfield revenues, will enable the County to recover the cost of capital and operational costs associated with the airfield.
<b>Authority for the Issuance</b>	The Series 2010 Bonds are issued pursuant to the provisions of the Constitution and laws of the State including particularly Title 6, Chapter 21, Code of Laws of South Carolina

1976, as amended (the "Act") and a General Bond Ordinance and First Supplemental Ordinance enacted by the County Council of Horry County, South Carolina (the "County Council") on October 19, 2010 (the "Ordinances"). See "INTRODUCTION" and "THE COUNTY."

**Rate Covenant**

The County has covenanted to take such action as shall be reasonably anticipated in each Fiscal Year to provide (i) Net Revenues at least equal to 1.25 times the Annual Debt Service for all Outstanding Bonds for such Fiscal Year and (ii) Net Revenues at least equal to 100 percent of all payments and deposits required under the Ordinances for such Fiscal Year.

**Historical Debt Service Coverage**

The following table sets forth the Net Revenues, Annual Debt Service and debt service coverage ratios for the past five Fiscal Years with respect to all bonds payable from the revenues of the Airport. For purposes of this summary, Net Revenues has been determined in accordance with the provisions of the Ordinances. Debt service coverage is based upon actual debt service on applicable revenue debt.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Net Revenues</u> <sup>(1)</sup>	<u>Annual</u> <u>Debt Service</u>	<u>Debt Service</u> <u>Coverage Ratio</u>
2006	\$11,407,080	\$2,241,793	5.09x
2007	13,516,656	2,269,830	5.95x
2008	11,650,355	1,336,180	8.72x
2009	8,460,650	1,121,508	7.54x
2010	7,603,621	1,125,666	6.75x

<sup>(1)</sup>Includes Other Available Funds (as defined herein) in an amount equal to 25% of annual debt service in each of the Fiscal Years shown. See "SECURITY FOR THE BONDS-Rate Covenant."

**Designation of Series 2010B Bonds as Recovery Zone Economic Development Bonds**

The County currently intends to irrevocably elect to treat the Series 2010B Bonds as "Recovery Zone Economic Development Bonds" for the purposes of the Internal Revenue Code of 1986, as amended (the "Code"). Subject to the County's compliance with certain requirements of the Code, the County expects to receive cash subsidy payments from the United States Treasury equal to 45% of the interest payable on the Series 2010B Bonds. Any such cash subsidy payments received by the County will not constitute Revenues. However, the County expects to apply such cash subsidy payments to the payment of debt service on the Bonds (including the Series 2010B Bonds). See "CERTAIN INVESTMENT CONSIDERATIONS-Considerations Regarding Series 2010B Bonds (Recovery Zone Economic Development Bonds)" and "TAX MATTERS."

**Tax Status of Interest on the Series 2010 Bonds**

In the opinion of Bond Counsel, assuming continuing compliance with certain covenants of the County described herein, (i) interest on the Series 2010A Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions (except with respect to the interest on any Series 2010A Bond for any period during which such Series 2010A Bond is held by a "substantial user" or a "related person" as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder), (ii) interest on the Series 2010A Bonds is not a specific item of tax preference for purposes of the alternative minimum tax on individuals and corporations and will not be included in "adjusted current earnings" for purposes of determining the alternative minimum taxable income of corporations, and (iii) the Series 2010 Bonds and the interest thereon will be exempt from taxation under the laws of the State of South Carolina except for estate or other transfer and certain franchise taxes. The Series 2010B Bonds are being issued as obligations the interest on which is not exempt from taxation as gross income under Section 103 of the Code. See "TAX MATTERS" herein.

**Professionals in the Offering**

The Bank of New York Mellon Trust Company, N.A. is serving as Trustee with respect to the Series 2010 Bonds. McNair Law Firm, P.A., Columbia, South Carolina, is serving as Bond Counsel. McNair Law Firm, P.A. is also serving as Disclosure Counsel to the County in connection with the offering of the Series 2010 Bonds. Certain legal matters will be passed upon for the County by Arrigo P. Carotti, Esquire, Conway, South Carolina, County Attorney and for the Underwriters by Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina. The financial statements of the County's Airport Enterprise Fund for the Fiscal Years ended June 30, 2010 and 2009 included in APPENDIX A to this Official Statement, have been audited by Scott and Company LLP. Frasca & Associates, L.L.C. is serving as the County's Financial Advisor in connection with this issue. Ricondo & Associates, Inc., whose Report of the Airport Consultant is included as APPENDIX B, is serving as the County's Airport Consultant.

**Continuing Disclosure**

The County has undertaken, pursuant to a covenant to comply with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, for the benefit of holders of the Series 2010 Bonds, to provide certain financial information and operating data relating to the County by not later than seven months after the end of each Fiscal Year commencing with the Fiscal Year beginning July 1, 2010 (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events, if deemed by the County to be significant. The Annual Information will be filed by or on behalf of the County with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system (and with the State Information Depository, if any, established by the State of South Carolina). The notices of such material events will be filed by or on behalf of the County with the Municipal Securities Rulemaking Board (and with such State Information Depository, if any). These covenants have been made in order to assist the original purchaser of the Series 2010 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The nature of the information to be provided in the Annual Information and the notices of certain significant events is set forth under the caption "CONTINUING DISCLOSURE."

**General**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Official Statement and the Official Statement will be deposited with the Municipal Securities Rulemaking Board, 1818 N Street, N.W., Suite 800, Washington, D.C. 20036-2491. Copies of the Preliminary Official Statement, the Official Statement, the Ordinances and other relevant documents and information regarding the documents are available from the office of the Horry County Department of Airports, 1100 Jetport Road, Myrtle Beach, South Carolina 29577, (843) 839-7340, Attention: Patricia Apone, Deputy Director, Finance and Administration.

The Official Statement, including the cover page and the attached Appendices, contains specific information relating to the Series 2010 Bonds, the County and other information pertinent to this issue. See "THE COUNTY," APPENDIX A and APPENDIX B for financial and demographic information relating to the County.

All information included herein has been provided by the County except where attributed to other sources. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument.

**OFFICIAL STATEMENT  
Relating to**

**HORRY COUNTY, SOUTH CAROLINA**

**\$50,870,000 Airport Revenue Bonds, Series 2010A (Non-AMT)  
\$9,720,000 Taxable Airport Revenue Bonds, Series 2010B (Recovery Zone Economic  
Development Bonds-Direct Payment)**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, Summary Statement and Appendices hereto, is to furnish information concerning Horry County, South Carolina (the "County"), the Myrtle Beach International Airport (the "Airport"), and certain other information in connection with the sale of the County's \$50,870,000 principal amount Airport Revenue Bonds, Series 2010A (the "Series 2010A Bonds" and \$9,720,000 principal amount Taxable Airport Revenue Bonds, Series 2010B (the "Series 2010B Bonds," together with the Series 2010A Bonds, the "Series 2010 Bonds").

The Series 2010A Bonds are being issued to (i) pay a portion of the cost of construction of the Terminal Capacity Enhancement Program (as defined herein) at the Myrtle Beach International Airport (the "Airport"), (ii) fund interest on the Series 2010A Bonds through December 1, 2012, (iii) fund a portion of the Debt Service Reserve Requirement (as defined herein) with respect to the Series 2010 Bonds, and (iv) pay costs of issuance of the Series 2010A Bonds.

The Series 2010B Bonds are being issued to (i) pay a portion of the cost of the Harrelson Boulevard Improvements (as defined herein), (ii) fund interest on the Series 2010B Bonds through December 1, 2011, (iii) fund a portion of the Debt Service Reserve Requirement with respect to the Series 2010 Bonds, and (iv) pay costs of issuance of the Series 2010B Bonds.

The Series 2010 Bonds are being issued pursuant to the Revenue Bond Act for Utilities, Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended (the "Act") and the General Bond Ordinance enacted October 19, 2010 (the "General Bond Ordinance") of the County Council of the County (the "County Council"), as supplemented by the First Supplemental Ordinance enacted October 19, 2010 of County Council (the "First Supplemental Ordinance," and together with the General Bond Ordinance, the "Ordinances"). Under certain circumstances, the General Bond Ordinance permits the issuance of Additional Bonds (as hereinafter defined) which would rank on a parity with the Series 2010 Bonds as to the pledge of and lien upon the Revenues of the Airport which remain after payment of Operation and Maintenance Expenses (as such terms are defined in APPENDIX C) and the statutory lien on the Airport with the Series 2010 Bonds; provided that Available PFC Revenues are pledged only to the payment of PFC Bonds (as such terms are defined herein). See "SECURITY FOR THE BONDS" and "THE AIRPORT-Passenger Facility Charge Program." The Series 2010 Bonds and any Additional Bonds which may be issued under the General Bond Ordinance are hereinafter sometimes collectively referred to as the "Bonds."

Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinances. See APPENDIX C for such meanings.

## THE SERIES 2010 BONDS

### General

The Series 2010 Bonds are issuable in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Series 2010 Bonds will be dated the date of delivery and will bear interest at the rates and mature on the dates set forth on the cover page of this Official Statement.

### Payment Details of the Series 2010 Bonds

Principal of the Series 2010 Bonds, whether upon maturity or redemption, is payable on the respective maturity dates or redemption dates. For so long as a book-entry only system for the Series 2010 Bonds is in place, principal payments will be made as described in "Book-Entry Only System" under this heading. If the book-entry only system is discontinued, however, principal of the Series 2010 Bonds, whether upon maturity or redemption, will be payable on the respective maturity dates or redemption dates upon presentation and surrender thereof at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee").

Interest on the Series 2010 Bonds is payable on each January 1 and July 1 commencing July 1, 2011. For so long as a book-entry only system for the Series 2010 Bonds is in place, interest payments will be made as described in "Book-Entry Only System" under this heading. If the book-entry only system is discontinued, however, interest on the Series 2010 Bonds will be paid by check or draft of the Trustee mailed to the person in whose name each Series 2010 Bond is registered as of the close of business on the fifteenth day (whether or not a business day) of the month immediately preceding such interest payment date. Interest payments to a person who is a Holder of \$1,000,000 or more in aggregate principal amount of Series 2010 Bonds may be made by wire transfer to the account designated by such Holder to the Trustee upon written request at least five days before the record date for such payment.

### Registration

The County has arranged for books of registration and transfer (the "Register") of the Series 2010 Bonds to be maintained by the Trustee. For as long as a book-entry only system for the Series 2010 Bonds is in place, the registration, transfer and exchange of ownership interests in the Series 2010 Bonds shall be accomplished as described in "--Book-Entry Only System" under this heading.

In the event the book-entry only system is discontinued, ownership of the Series 2010 Bonds shall only be proved by reference to the Register which shall be conclusive. Upon surrender for transfer or exchange of any Series 2010 Bonds, the County shall execute and the Trustee shall authenticate and deliver in the name of the registered owner or the transferee or transferees, as the case may be, a new fully registered Series 2010 Bond of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The County or the Trustee may charge the owner of such Series 2010 Bond for every such transfer or exchange an amount sufficient to reimburse it for its reasonable fees and for any tax, fee, or other governmental charge required to be paid with respect to such transfer, and may require that such charge be paid before any such new Series 2010 Bonds shall be delivered. Neither the County nor the Trustee shall be required (a) to transfer or exchange any Series 2010 Bond after the selection of such Bond to be redeemed or thereafter until after the first publication or mailing or any notice or redemption, or (b) to transfer or exchange any Series 2010 Bonds called for redemption.

All Series 2010 Bonds presented for transfer, exchange, redemption or payment shall be accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee, duly executed by the registered owner or by his duly authorized attorney. The County and the Trustee may treat the registered

owner of any Series 2010 Bond as the absolute owner thereof for all purposes, whether or not such Series 2010 Bond shall be overdue, and shall not be affected by any notice to the contrary.

### **Designation of the Series 2010B Bonds as Recovery Zone Economic Development Bonds**

The County currently intends to irrevocably elect to treat the Series 2010B Bonds as “Recovery Zone Economic Development Bonds” for the purposes of the Internal Revenue Code of 1986, as amended (the “Code”). Subject to the County’s compliance with certain requirements of the Code, the County expects to receive cash subsidy payments from the United States Treasury equal to 45% of the interest payable on the Series 2010B Bonds. Any such cash subsidy payments received by the County will not constitute Revenues. However, the County has irrevocably committed any Federal Direct Payment relating to the Series 2010B Bonds to the payment of the principal of and interest on the Bonds, and expects to apply such cash subsidy payments to the payment of debt service on the Bonds (including the Series 2010B Bonds). See “CERTAIN INVESTMENT CONSIDERATIONS-Considerations Regarding Series 2010B Bonds (Recovery Zone Economic Development Bonds)” and “TAX MATTERS.”

### **Redemption of Series 2010A Bonds**

#### *Optional Redemption*

The Series 2010A Bonds maturing on or before July 1, 2020 are not subject to optional redemption prior to maturity. At the option of the County, the Series 2010A Bonds maturing on and after July 1, 2021 are subject to redemption prior to maturity on and after July 1, 2020, as a whole or in part at any time in such order of their maturities as the County may determine (and in the event that less than all of the Series 2010A Bonds of a maturity are called for redemption, the particular Series 2010A Bonds to be redeemed shall be selected by lot by the Trustee), at a redemption price equal to 100% of the principal amount of the Series 2010A Bonds, plus accrued interest to the date of redemption.

#### *Mandatory Sinking Fund Redemption of Series 2010A Bonds*

The Series 2010A Bonds maturing July 1, 2026 are subject to mandatory redemption from sinking fund payments prior to their respective maturity dates, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date, beginning on July 1, 2024, and on each July 1 thereafter in the years and principal amounts set forth below.

<u>Year</u>	<u>Amount</u>
2024	\$1,835,000
2025	1,915,000
2026*	2,000,000

\*Final Maturity

The Series 2010A Bonds maturing July 1, 2030 (with a stated interest rate of 5.00% per annum) are subject to mandatory redemption from sinking fund payments prior to their respective maturity dates, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date, beginning on July 1, 2027, and on each July 1 thereafter in the years and principal amounts set forth below.

<u>Year</u>	<u>Amount</u>
2027	\$1,320,000
2028	1,380,000
2029	1,440,000
2030*	1,445,000

\*Final Maturity

The Series 2010A Bonds maturing July 1, 2030 (with a stated interest rate of 4.50% per annum) are subject to mandatory redemption from sinking fund payments prior to their respective maturity dates, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date, beginning on July 1, 2027, and on each July 1 thereafter in the years and principal amounts set forth below.

<u>Year</u>	<u>Amount</u>
2027	\$765,000
2028	805,000
2029	850,000
2030*	890,000

\*Final Maturity

The Series 2010A Bonds maturing July 1, 2040 are subject to mandatory redemption from sinking fund payments prior to their respective maturity dates, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date, beginning on July 1, 2031, and on each July 1 thereafter in the years and principal amounts set forth below.

<u>Year</u>	<u>Amount</u>
2031	\$1,715,000
2032	1,800,000
2033	1,890,000
2034	1,985,000
2035	2,085,000
2036	2,190,000
2037	2,300,000
2038	2,415,000
2039	2,535,000
2040*	2,660,000

\*Final Maturity

At its option, to be exercised on or before the 60th day prior to any mandatory redemption date, the County may (i) deliver to the Trustee for cancellation Series 2010A Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such Series 2010A Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the County and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each Series 2010A Bond so delivered or previously purchased or redeemed shall be credited by the Trustee, at 100 percent of the principal amount thereof, on the obligation of the County on those respective mandatory redemption obligations in chronological order, and the principal amount of the Series 2010A Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

## **Redemption of Series 2010B Bonds**

### *Optional Redemption of Series 2010B Bonds with Make-Whole Payment*

The Series 2010B Bonds are subject to redemption prior to their stated maturity dates at the option of the County, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to the greater of: (i) 100% of the principal amount of the Series 2010B Bonds to be redeemed; and (ii) an amount calculated by a Designated Banking Institution (hereinafter defined) equal to the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (hereinafter defined), plus 50 basis points; plus, in each case, accrued and unpaid interest on the Series 2010B Bonds to be redeemed to the date fixed for redemption.

“Treasury Rate” means, as of any redemption date of the Series 2010B Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least seven business days prior to the date fixed for redemption (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data as selected by a Designated Banking Institution) most nearly equal to the period from the redemption date to the maturity date of the Series 2010B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“Designated Banking Institution” means an investment banking institution of national standing which is a primary United States government securities dealer in the City of New York designated by the County (which may be one of the underwriters of the Series 2010B Bonds).

### *Extraordinary Optional Redemption of the Series 2010B Bonds*

The Series 2010B Bonds are redeemable at the option of the County, in whole or in part at any time, from any moneys that may be provided for such purpose, upon the occurrence of an Extraordinary Event (hereinafter defined), and at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2010B Bonds to be redeemed; and (ii) an amount calculated by a Designated Banking Institution equal to the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points; plus, in each case, accrued and unpaid interest on the Series 2010B Bonds to be redeemed to the date fixed for redemption.

An “Extraordinary Event” will have occurred if legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the County, would be to suspend, reduce or terminate all or a portion of the 45 percent cash subsidy payment from the United States Treasury to the County with respect to the Series 2010B Bonds, or to state or local government issuers generally with respect to obligations of the general character of the

Series 2010B Bonds, pursuant to Sections 54AA, 1400U-2 or 6431 of the Code (the “Subsidy Payments”); provided, that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the County to comply with the requirements of the Code to receive such Subsidy Payments. See “TAX MATTERS” herein.

*Mandatory Sinking Fund Redemption of Series 2010B Bonds*

The Series 2010B Bonds maturing July 1, 2040 are subject to mandatory redemption from sinking fund payments prior to their respective maturity dates, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date, beginning on July 1, 2030, and on each July 1 thereafter in the years and principal amounts set forth below.

<u>Year</u>	<u>Amount</u>
2030	\$ 65,000
2031	800,000
2032	835,000
2033	865,000
2034	900,000
2035	940,000
2036	980,000
2037	1,020,000
2038	1,060,000
2039	1,105,000
2040*	1,150,000

\*Final Maturity

At its option, to be exercised on or before the 60th day prior to any mandatory redemption date, the County may (i) deliver to the Trustee for cancellation Series 2010B Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such Series 2010B Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the County and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each Series 2010B Bond so delivered or previously purchased or redeemed shall be credited by the Trustee, at 100 percent of the principal amount thereof, on the obligation of the County on those respective mandatory redemption obligations in chronological order, and the principal amount of the Series 2010B Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

**Notice of Redemption**

For so long as a book-entry only system for the Series 2010 Bonds is in place, the notice of redemption of the Series 2010 Bonds shall be accomplished as described in "--Book-Entry Only System" under this heading.

In the event that the book-entry only system is discontinued and if any of the Series 2010 Bonds, or portions thereof, are called for redemption, the Trustee shall mail, by first class mail, a notice of redemption to all registered Holders of the Series 2010 Bonds, to be redeemed not more than 60 days and not less than 30 days prior to the date fixed for redemption at their addresses as they appear on the Register; provided, however, that such notice shall be provided by registered or certified mail to any registered Holder of \$1,000,000 or more in aggregate principal amount of the Series 2010 Bonds. Such notice of redemption must specify the Series (as defined in APPENDIX C) and maturities of the Series 2010 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less

than all of the Series 2010 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2010 Bonds so to be redeemed, and, in the case of Series 2010 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2010 Bond to be redeemed the Redemption Price (as such term is defined in APPENDIX B) thereof, or the Redemption Price of the specified portion of the principal thereof in the case of Series 2010 Bonds to be redeemed in part only, together with interest accrued to the redemption date and that from and after such date interest thereon shall cease to accrue and be payable, and may state that the redemption is conditioned upon the occurrence of certain events stated in the notice. Failure of a Holder to receive such notice shall not invalidate and shall have no effect on the redemption of the Series 2010 Bonds.

### **Selection of Bonds for Redemption**

In the event that less than all of the Series 2010A Bonds of a maturity and, in the case of the Series 2010A Bonds maturing July 1, 2030, stated interest rate, are called for redemption, the particular Series 2010A Bonds of the maturity and stated interest rate to be redeemed shall be selected by lot by the Trustee, and in the event that less than all of the Series 2010B Bonds are called for redemption, the particular Series 2010B Bonds to be redeemed shall be selected by the Trustee on a pass through pro rata distribution of principal basis; provided that so long as the Series 2010 Bonds are held in book-entry only form with the Depository (as defined in APPENDIX C), such selections shall be in accordance with the procedures of the Depository on such basis in accordance with the operational procedures of the Depository then in effect.

### **Book-Entry Only System**

#### *DTC*

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered bonds 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 certificate will be issued for each series and maturity of the Series 2010 Bonds, each in the aggregate principal 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 bond 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 Credit Market Services, a Division of The McGraw Hill Company, Inc. (“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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 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 Series 2010 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 Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 Series 2010 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 Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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. Beneficial Owners of Series 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds of a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, 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, Trustee, or County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of County or Trustee, 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.

The County and the Trustee cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2010 Bonds (i) payments of principal of, redemption premium, if any, and interest on, the Series 2010 Bonds, (ii) confirmation of ownership interest in the Series 2010 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2010 Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

#### *Discontinuance of Book-Entry Only System*

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the County and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

***The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.***

## **SECURITY FOR THE BONDS**

### **Pledge of Revenues and Statutory Lien**

Pursuant to the Ordinances, the County has (i) irrevocably pledged, for the payment of principal, redemption price, if any, and interest on the Bonds, such Revenues as shall remain after payment of Operation and Maintenance Expenses and granted a statutory lien within the meaning of the Act on the Airport; provided that Available PFC Revenues are pledged only to the payment of PFC Bonds. Under the Ordinances, “PFC Bonds” are defined as the ratable principal amount of any Bonds designated as PFC Bonds by the County at the time of issuance and delivery thereof or from time to time thereafter the proceeds from the sale of which are used to fund PFC Projects following PFC Approval (as such terms are defined in APPENDIX C) thereof, fund the ratable portion of the Reserve Requirement with respect thereto, and pay the ratable portion of the costs of issuance thereof or to refund Bonds meeting such requirements. The Series 2010A Bonds will be designated “PFC Bonds” for purposes of the Ordinances, and the ratable portion of the debt service on the Series 2010A Bonds (based upon the amount of proceeds from the sale of the Series 2010A Bonds used to fund PFC Projects following PFC Approval thereof, the Debt Service Reserve Requirement with respect thereto and costs of issuance) will be eligible for payment from Available PFC Revenues. See “THE AIRPORT-Passenger Facility Charge Program.” Further, pursuant to the Ordinances, the County has impressed certain funds and accounts created thereunder with a trust for the benefit of the Holders of Bonds issued under the Ordinances, including the Series 2010 Bonds, and (ii) irrevocably pledged the Non-System Amounts (hereinafter defined) for the payment of Operation and Maintenance Expenses. See “THE

AIRPORT-Non-System Amounts.” In addition, the County has established within the Debt Service Reserve Fund (as such term is defined in APPENDIX C) a 2010 Debt Service Reserve Account (hereinafter defined) for the benefit of the Series 2010 Bonds and all series of Additional Bonds participating in such Debt Service Reserve Account. See “Debt Service Reserve Accounts” under this heading below.

### **Limited Obligations**

The Series 2010 Bonds are limited obligations of the County and do not constitute a general obligation, or a pledge of the faith, credit or taxing power of the County, the State of South Carolina (the "State") or any political subdivision thereof, within the meaning of any constitutional or statutory provision or limitation. The Series 2010 Bonds are payable solely from and are secured by a lien on such Revenues as shall remain after the payment of Operation and Maintenance Expense and a statutory lien upon the Airport as provided in the Ordinances; provided, however, that Available PFC Revenues are pledged only to the payment of PFC Bonds. No Holder of any Series 2010 Bond shall ever have the right to compel the exercise of the taxing power of the State or the County to pay the principal of, premium, if any, or the interest on the Series 2010 Bonds, nor to enforce payment against any property of the State or the County, nor shall the Series 2010 Bonds constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or the County except for the statutory lien on the Airport.

### **Rate Covenant**

Pursuant to the General Bond Ordinance, the County has covenanted to establish, fix, prescribe and collect rates, tolls, rentals and charges for the use of the Airport and the services rendered in connection therewith as shall be reasonably anticipated to provide in each Fiscal Year an amount so that Net Revenues shall (i) be at least equal to 1.25 times the Annual Debt Service on all Outstanding (as such term is defined in APPENDIX C) Bonds for such Fiscal Year and (ii) at least equal to 100% of (a) the Annual Debt Service on any Outstanding Bonds required to be funded by the County, (b) the required deposits to any Debt Service Reserve Account, (c) the interest and principal on any indebtedness other than Outstanding Bonds, including Subordinate Indebtedness (as such term is defined in APPENDIX C), and (d) payments on any reserve requirements for debt service on indebtedness other than Outstanding Bonds, for such Fiscal Year. The General Bond Ordinance defines "Net Revenues" as Revenues less Operation and Maintenance Expenses net of Operation and Maintenance Expenses paid from Non-System Amounts. For purposes of the above covenant, Net Revenues may include Other Available Funds in an amount not exceeding 25% of Annual Debt Service for the applicable Fiscal Year. “Other Available Funds” is defined under the Ordinances to mean, for any 12-month period of calculation, the amount, as set forth in a written certificate of the County to the Trustee, to be retained in the Revenue Fund (hereinafter defined) during the applicable Fiscal Year after all required transfers have been made to the Depreciation and Contingent Fund (as such term is defined in APPENDIX C) (See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Certain Covenants of the County – Rates and Charges.")

### **Application of Revenues**

The Ordinances create a special fund designated the Revenue Fund (the “Revenue Fund”), to be held by the County into which the County is required to set aside and deposit the Revenues (other than Available PFC Revenues and earnings on investments of certain Funds and Accounts) upon receipt thereof. The Ordinances require that moneys on deposit in the Revenue Fund shall be applied solely at such times and in accordance with the priorities established by the Ordinances.

Moneys in the Revenue Fund are required by the Ordinances to be applied not later than the 25th day of each month to the following funds and accounts in the following order of priority:

(i) The County shall deposit first from Non-System Amounts, and second from moneys remaining in the Revenue Fund, into the Operation and Maintenance Fund (a) an amount equal to one-twelfth (or such greater fraction if the period is less than 12 months as may be appropriate) of the money determined by the County to be sufficient for the payment of Operation and Maintenance Expenses for the then current Fiscal Year, and (b) for credit to the Operation and Maintenance Reserve Account an amount equal to one-twelfth (or such greater fraction if the period is less than 12 months as may be appropriate) of the amount which is equal to the difference between the sum on deposit in said Account at the beginning of the then current Fiscal Year and the then current Operation and Maintenance Reserve Requirement (as such term is defined in APPENDIX C).

(ii) The County shall next transfer to the Trustee for deposit to the following subaccounts in the Debt Service Account (as such term is defined in APPENDIX C) established for each Series of Bonds, in the following order, the following sums:

(a) To the Interest Subaccounts (as such term is defined in APPENDIX C), such sum as will be sufficient, taking into account amounts on deposit therein, to pay one-sixth (or such greater fraction as is necessary) of all interest coming due on the Outstanding Bonds on the next interest payment date, less any sums available therefor and required pursuant to the Ordinances;

(b) To the Principal Subaccounts (as such term is defined in APPENDIX C), such sum as will be sufficient, taking into account amounts on deposit therein, to pay one-sixth of the principal amount of the Outstanding Bonds which will mature and come due on any semiannual maturity dates, and one-twelfth of the principal amount of the Outstanding Bonds which will mature and become due on any annual maturity dates, as such dates shall have been established pursuant to a Supplemental Ordinance (as such term is defined in APPENDIX C), less any sums available and required therefore pursuant to the Ordinances; and

(c) To the Redemption Subaccounts, such sum as will be sufficient, taking into account amounts on deposit therein, to pay one-sixth of any Sinking Fund Installment established for the mandatory redemption of Term Bonds (as such terms are defined in APPENDIX C) on any semiannual maturity date and such sum as will be sufficient to pay one-twelfth of any Sinking Fund Installment established for the mandatory redemption of Outstanding Term Bonds on any annual maturity date, as such dates shall have been established pursuant to a supplemental ordinance of the County Council, less any sums available and required therefore pursuant to the Ordinances; provided, that such monthly payments may be adjusted, as appropriate, to reflect the frequency of such interest or principal payment dates or dates of Sinking Fund Installments, as the case may be, as provided in the applicable Supplemental Ordinance.

(iii) The County shall next transfer to the Trustee for deposit an amount, if any, required to be deposited into any Debt Service Reserve Account.

(iv) The County shall next deposit into the Depreciation and Contingent Fund (i) an amount equal to one-twelfth (or such greater fraction if the period is less than 12 months as may be appropriate) of the money determined by the County to be a sum sufficient to build up a reserve for depreciation of the Airport, and to be sufficient to build up a reserve for improvements, betterments, and extensions to the Airport, and (ii) for credit to the Depreciation and Contingence Fund Reserve Account an amount which is equal to the difference between the sum or deposit in said account and the then current Depreciation and Contingent Fund Reserve Amount (as such term is defined in APPENDIX C) as set forth in the then current Annual Budget.

The above discussion under this subheading is intended as only a summary of the required disposition of Revenues under the Ordinances. For a more complete description of such required disposition, and of the Funds, Accounts and Subaccounts established pursuant to the Ordinances, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES."

### **Debt Service Reserve Fund and Accounts Therein**

The General Bond Ordinance provides for the creation of a Debt Service Reserve Fund, to be held by the Trustee, and within such Fund one or more Debt Service Reserve Accounts as may be required by the General Bond Ordinance. Except as otherwise provided in the General Bond Ordinance, each Supplemental Ordinance providing for the issuance of Bonds shall require as a condition of issuance that an amount be deposited in a Debt Service Reserve Account within the Debt Service Reserve Fund so that, together with any Reserve Fund Surety Policy (as such terms are defined in APPENDIX C) credited to the Account, the amount on deposit in the Debt Service Reserve Account will be equal to the Debt Service Reserve Requirement (as such term is defined in APPENDIX C) with respect to the Bonds participating in the Debt Service Reserve Account. Any cash to be deposited in a Debt Service Reserve Account may be derived from proceeds of Bonds or any other legally available source of funds. In the event that federal tax law in the opinion of nationally recognized bond counsel would prohibit the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account or any portion thereof from being paid from the proceeds of any issue of Bonds, the County shall be permitted to pay the portion of the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account not permitted to be paid from Bond proceeds from amounts available for such purpose under the General Bond Ordinance, to the extent permissible under federal tax laws, in equal monthly installments within 60 months from the date of issuance of said Series of Bonds.

Moneys held in a Debt Service Reserve Account shall be used for the purpose of paying principal of and interest on the Bonds participating in the Debt Service Reserve Account on a basis *pari passu* with all Bonds then participating in the Debt Service Reserve Account. If, on any payment date, the amounts in the Interest Subaccounts, Principal Subaccounts and Redemption Subaccounts for any Bonds participating in the Debt Service Reserve Account available therefor are insufficient to pay in full the amount then due on such Bonds, moneys held in the Debt Service Reserve Account shall be used for the payment of principal of and interest thereon. If amounts in a Debt Service Reserve Account consist of both cash and one or more Reserve Fund Surety Policies, the Trustee shall make any required payments of amounts in the Debt Service Reserve Account first from any cash held invested in the Debt Service Reserve Account, prior to making a draw upon any of such Reserve Fund Surety Policies.

A Reserve Fund Surety Policy shall be acceptable in lieu of a deposit of cash or securities into a Debt Service Reserve Account, or may be substituted for amounts on deposit in the Debt Service Reserve Account, only if at the time of such deposit (i) such Reserve Fund Surety Policy extends to the maturity of the Series of Bonds of the longest maturity then Outstanding and participating in the Debt Service Reserve Account, or the County has agreed, by Supplemental Ordinance, that the County will replace such Reserve Fund Surety Policy prior to its expiration with another Reserve Fund Surety Policy which shall have no adverse effect on the ratings, if any, then in effect on the Bonds participating in the Debt Service Reserve Account, or with cash and (ii) the face amount of the Reserve Fund Surety Policy, together with amounts on deposit in the Debt Service Reserve Account, including the face amount of any other Reserve Fund Surety Policy, is at least equal to the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account.

If moneys have been withdrawn from the Debt Service Reserve Account or a payment has been made under a Reserve Fund Surety Policy constituting all or a portion of the Debt Service Reserve Account, and deposited into the applicable subaccounts of the Bond Fund to prevent a default on the

Bonds participating in the Debt Service Reserve Account, then the County will pay to the Trustee but only from Revenues available for such purpose under the General Bond Ordinance, the full amount so withdrawn, together with interest, if any, required under the terms of the Reserve Fund Surety Policy, or so much as shall be required to restore the Debt Service Reserve Account to the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account and to pay such interest, if any. Such repayment shall be made in 12 substantially equal monthly installments each due on or prior to the first Business Day of the month commencing with the first month after such withdrawal occurs. If such repayment is with respect to a draw under a Reserve Fund Surety Policy, the Trustee shall pay to the provider of such Reserve Fund Surety Policy the amount received by the Trustee from the County which is designated to be used to reimburse the provider of such Reserve Fund Surety Policy.

If entity providing the Reserve Fund Surety Policy shall cease to be rated in one of the two highest rating categories (without regard to any numerical modifier, plus or minus sign or other modifier) by Moody's Investors Service ("Moody's") and Standard & Poor's, then the County shall replace such Reserve Fund Surety Policy with a Reserve Fund Surety Policy meeting the applicable requirements of this Ordinance within a period of six months of the date the entity providing the Reserve Fund Surety Policy ceases to have the required rating, or fund, but only from Revenues available for such purpose pursuant to the Ordinances, in 36 equal monthly installments, the amounts necessary to restore the amount credited to the Debt Service Reserve Account to the Debt Service Reserve Requirement.

### **PFC Revenue Bond Fund**

The General Bond Ordinance provides for the creation of a PFC Revenue Bond Fund (as such term is defined in APPENDIX C), to be held by the County. The County shall deposit all Available PFC Revenues and any Federal Direct Payments (as such term is defined in APPENDIX C) received as credits against interest on PFC Bonds to the extent such interest was paid from amounts deposited to the PFC Revenue Bond Fund, into the PFC Revenue Bond Fund for application, and in the case of the deposits set forth in (i), (ii) and (iii) below, prior to the transfer of amounts from the Revenue Fund for such purpose, in the following order of priority:

(i) Monthly to the Interest Subaccounts for PFC Bonds until the amounts on deposit therein, are equal to the interest to come due on the next interest payment date for such PFC Bonds;

(ii) Monthly to the Principal Subaccounts and the Redemption Subaccounts for PFC Bonds until the amounts on deposit therein is equal to the Principal Installments and Sinking Fund Installments for on the next annual or semiannual maturity date for such PFC Bonds;

(iii) Monthly to the Debt Service Reserve Accounts for PFC Bonds the amounts necessary to maintain the amount on deposit therein at the applicable Debt Service Reserve Requirements to the extent amounts have been withdrawn to pay debt service on the PFC Bonds or to reinstate any Reserve Fund Surety Policy which has been drawn on for such purpose;

(iv) To the extent in any Fiscal Year Available PFC Revenues exceed the requirements set forth in (i), (ii) and (iii) above, as may be directed by an Authorized Officer (as such term is defined in APPENDIX C) of the County, to any other fund or account established by the County under the General Bond Ordinance or any other lawful purpose, in each case consistent with and subject to the applicable federal law relating to Passenger Facility Charges (as such term is defined in APPENDIX C).

Investment earnings on amounts on deposit in the PFC Revenue Bond Fund which are deposited to the PFC Revenue Bond Fund shall be applied in the same manner as all other Available PFC Revenues. To the extent that Revenues are credited to any Fund, Account or Subaccount to provide for payment of the PFC

Bonds and Available PFC Revenues subsequently become available prior to the expenditure of such Revenues, such Available PFC Revenues shall be deposited to the Revenue Fund.

### **Additional Bonds**

Under certain circumstances, the County may issue at one or more times additional Series of Bonds (“Additional Bonds”) secured by a pledge of and lien upon the Revenues as remain after the payment of Operation and Maintenance Expenses and statutory lien on the Airport on a parity with the pledge and lien upon the Revenues and statutory lien securing the Series 2010 Bonds (provided that Available PFC Revenues shall be pledged only to the payment of PFC Bonds).

As a condition to the issuance of any Series of Additional Bonds, there shall first be delivered to the Trustee either:

(a) A certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), of an Authorized Officer of the County showing the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of Maximum Aggregate Annual Debt Service (as such term is defined in APPENDIX C) with respect to all Outstanding Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds were then Outstanding; or

(b) A certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), of a Consultant (as such term is defined in APPENDIX C) showing that:

(i) the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of the sum of the Aggregate Annual Debt Service (as such term is defined in APPENDIX C) due and payable with respect to all Outstanding Bonds (not including the proposed Series of Bonds) for such Fiscal Year or other applicable period; and

(ii) for the period of the first five full Fiscal Years following the issuance of such proposed Series of Bonds, or the first three full Fiscal Years, during which no interest on such Series of Bonds is expected to be paid from the proceeds thereof, whichever is later, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Bonds and the proposed Series of Bonds (calculated as if the proposed Series of Bonds were then Outstanding).

For purposes of paragraph (b)(ii) above, in estimating Net Revenues, the Consultant may take into account (1) Revenues from Projects (as such term is defined in APPENDIX C) or Airport facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the County and will be in effect during the period for which the estimates are provided, (3) Available PFC Revenues determined pursuant to the Bond Ordinance, and (4) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses, the Consultant shall use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Operation and Maintenance Expenses and Non-System Amounts or amounts which would be or would have been eligible for appropriation as Non-System Amounts, (ii) Operation and Maintenance Expenses associated with any new Airport facilities, and (iii) such other factors, including inflation and changing operations or policies of the County, as the Consultant believes to be appropriate. The Consultant shall include in the certificate or in a separate

accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants or the Authorized Officer of the County may rely upon financial statements prepared by the County which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Officer of the County shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described under paragraphs (a) or (b) above shall be required:

(i) in the case of Refunding Bonds (as such term is defined in APPENDIX C), there is delivered to the Trustee, instead, a certificate of the Authorized Officer of the County showing that Aggregate Annual Debt Service for each Fiscal Year after the issuance of such Refunding Bonds will not exceed the Aggregate Annual Debt Service for each Fiscal Year prior to the issuance of such Refunding Bonds;

(ii) if the Bonds being issued constitute Notes (as such term is defined in APPENDIX C) and there is delivered to the Trustee, instead, a certificate prepared by an Authorized Officer of the County showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 months immediately preceding the issuance of the proposed Notes and there is delivered to the Trustee a certificate of an Authorized Officer of the County setting forth calculations showing that for each of the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the County will be in compliance with paragraphs (a) and (b) above; or

(iii) if the Bonds being issued are to pay costs of completing the Project for which Bonds have previously been issued and the principal amount of such Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Bonds originally issued for the Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Officer of the County and there is delivered to the Trustee (1) a Consultant's certificate stating that the nature and purpose of the Project has not materially changed and (2) a certificate of an Authorized Officer of the County to the effect that (x) all of the proceeds (including investment earnings on amounts in the Construction Fund (as such term is defined in APPENDIX C) allocable to such Project) of the original Bonds issued to finance such Project have been or will be used to pay Costs of the Project (as such term is defined in APPENDIX C) and (y) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Construction Fund account established for the Project (including unspent proceeds of Bonds previously issued for such purpose) and (z) the proceeds to be received from the issuance of such Bonds plus moneys available in the Construction Fund account established for the Project (including unspent proceeds of the Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Project.

(c) If Available PFC Revenues are included in Revenues in connection with the issuance of Additional Bonds, the following rules will apply:

(i) The Consultant may assume (A) that the rate of the levy of Passenger Facility Charges constituting a part of the PFC Revenues in effect on the date of issuance of the applicable PFC Bonds (as such term is defined in APPENDIX C) will be in effect for the entire

forecast period, and (B) a higher rate to the extent legislation has been enacted to permit an increase in Passenger Facility Charges if the County has taken all action required to impose and use such increased charges at the Airport pursuant to such legislation prior to the date of the Consultant's report;

(ii) The Consultant, in making its forecast shall assume that the percentage of enplaned passengers subject to Passenger Facility Charges during the forecast period will not exceed the average percentage during the three Fiscal Years immediately preceding the year the report of the Consultant is issued;

(iii) Available PFC Revenues may be taken into account in an amount not greater than the lowest amount of Available PFC Revenues the County estimates, based on its then existing PFC approvals, will be available during the applicable period; and

(iv) The amount of Available PFC Revenues included in determining compliance with the requirements of Section 204 of the Bond Ordinance above shall be limited to Available PFC Revenues in an amount not to exceed 125% of the Annual Debt Service in any Fiscal Year in the applicable period on the Outstanding PFC Bonds, and the PFC Bonds, if any, then proposed to be issued, or such lesser amount as may be required under the PFC Act, PFC Regulations and PFC Approvals as in effect from time to time.

## Remedies

For a discussion of the remedies of the Holders of the Series 2010 Bonds and the Trustee upon the occurrence of an Event of Default (as such term is defined in APPENDIX C) under the Ordinances, see the discussion under "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Defaults and Remedies." The Ordinances provide that such holders and the Trustee will have no right to accelerate the entire outstanding principal amount of Bonds upon the occurrence of an Event of Default.

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Series 2010A Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2010A Bonds maturing on July 1 of the years in the principal amounts and bearing interest at the rates and having the yields set forth below (collectively, the "Insured Series 2010A Bonds"):

<u>Insured Series 2010A Serial Bonds</u>			
<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2014	\$1,215,000	4.00%	2.08%
2015	1,270,000	4.00	2.40
2016	1,320,000	4.00	2.75
2017	1,370,000	3.00	3.11
2018	100,000	5.00	3.36
2019	1,480,000	4.00	3.62
2022	1,680,000	4.00	4.10
2023	1,745,000	5.00	4.20

Insured Series 2010A Term Bonds  
\$5,750,000 4.375% Term Bonds due July 1, 2026, Yield 4.50%  
\$3,310,000 4.50% Term Bonds due July 1, 2030, Yield 4.80%

The Policy guarantees the scheduled payment of principal of and interest on the Insured Series 2010A Bonds when due as set forth in the form of the Policy included as Exhibit F to this Official Statement.

**Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)**

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an 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, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM 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, including withdrawal initiated at the request of AGM in its sole discretion. 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 AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings*

On October 25, 2010, Standard & Poor's published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of Standard & Poor's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at [www.fitchratings.com](http://www.fitchratings.com), for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at [www.moodys.com](http://www.moodys.com), for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or Standard & Poor's may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on

Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010.

#### *Capitalization of AGM*

At June 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$2,264,680,337 and its total net unearned premium reserve was approximately \$2,259,557,420, in each case, in accordance with statutory accounting principles.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);
- (ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010); and
- (iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series 2010 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Series 2010 Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE."

#### **CERTAIN RIGHTS OF AGM**

For a summary description of certain rights of AGM with respect to the Insured Series 2010A Bonds, including the right of subrogation to the rights of the Holders of the Insured Series 2010A Bonds to the extent

of payment pursuant to the Policy and the right to control and exercise remedies upon the occurrence of an Event of Default under the Ordinances without the consent of the Holders of the Insured Series 2010A Bonds, see “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Municipal Bond Insurance.”

## **THE 2010 PROJECTS**

A portion of the proceeds of the Series 2010A Bonds and Series 2010B Bonds will be applied to defray a portion of the costs of the Terminal Capacity Enhancement Program and the Harrelson Boulevard Improvements (together, the “2010 Projects”).

### **Terminal Capacity Enhancement Program**

The existing terminal building and site infrastructure at the Airport are not adequately sized to accommodate the current volume of passenger activity, and are not able to properly serve projected passenger volumes. The existing building provides an inadequate number of airline ticketing counters, no additional area for self-serve ticket kiosks, inadequate passenger queue space at ticketing and TSA screening areas, marginal passenger circulation, limited passenger reception area, undersized rental car counter area, limited baggage service offices, TSA baggage screening and airline baggage makeup areas that are at capacity and unacceptable passenger access to terminal entrances and exits. In addition, the Airport’s limited access roads are at capacity during peak activity.

Instead of replacing the existing terminal building in total, the Terminal Capacity Enhancement Program (the “Terminal Capacity Enhancement Program”) provides new ticketing and baggage claim facilities while retaining existing departure gates and aircraft parking positions. Additional departure gates are provided to accommodate anticipated growth in passenger volume. The resulting expanded airport terminal provides a level-of-service no less than Level "C" in all respects, as defined by the International Air Transport Association. In addition, the expanded terminal complex ensures full and secure separation of passengers and facilities requiring such separation from the general public, and includes security enhancement facilities consistent with the requirements of the Transportation Security Administration (“TSA”). Site and roadway improvements provide vehicular facilities for the general public, rental car companies, and airport tenants and users that are direct, simple, and easy to use.

In general, the Terminal Capacity Enhancement Program consists of the following components: construction of a new terminal building (the “New Terminal”), improvements to the existing terminal (the “Existing Terminal Improvements”), various supporting airside improvements (the “Airside Improvements”) and landside improvements (the “Landside Improvements”), as generally described below.

#### *New Terminal*

The New Terminal, a 240,000 square foot expansion, consists of a new passenger terminal, new six-gate concourse, and new passenger corridor to the existing seven-gate concourse. The new passenger terminal is comprised of separate departures and arrivals areas on the ground level and passenger service areas and circulation on the second level. The new concourse includes mechanical support areas and space for airline build-out on the ground level, and six departure lounges, passenger services, and circulation on the second level. The passenger connection provides direct access between the second level of the new passenger terminal and the existing departure lounges.

The new passenger terminal will provide sufficient ticket counters and airline ticket office space to accommodate the existing airlines serving the Airport as well as potential new entrant carriers. Space

is also provided for self-service ticket kiosks. Four passenger security screening lanes are provided, with infrastructure and area available for an additional two lanes. The new ticket counters and security screening lanes will greatly enhance queuing areas. Two take-away baggage conveyors will transport checked baggage from the ticket counters to a centralized, enclosed explosives detection area. Outbound baggage will be handled in a consolidated baggage room located at the intersection between the passenger terminal and the concourse. Inbound baggage will be processed in a separate stripping area serving four flat-plate baggage claim devices. The baggage claim area includes airline baggage service offices, large passenger access areas, and circulation unimpeded by rental car counters. A generously sized arrivals hall will be located between the ticketing lobby and the baggage claim area. The arrivals hall will have adequate waiting areas for “meeters and greeters” along with a food and beverage concession area, public toilets, and an information counter. Stairs, escalators, and elevators will be located at the arrivals hall and the passenger security screening area to provide vertical transportation for inbound and outbound passengers to the second level of the passenger terminal and the departures concourse.

The second level of the new concourse includes six gates sized to accommodate Group 4 aircraft (including the B-757, B-767 and A-300 aircraft). Apron-drive passenger boarding bridges with preconditioned air, ground power, and potable water units will accommodate each of the six departure gates; while elevator and stair access will be provided for ground-loading aircraft. Public toilets are centrally located within the concourse, along with food and beverage and merchandise concession areas. A table-service restaurant/bar will be located at the intersection of the concourse and passenger terminal, along with public toilets and an information counter.

A new 20-foot wide corridor will be constructed to connect the second level of the new head house to the existing departure gates. In addition, a new second level gate equipped with a passenger boarding bridge as well as apron-access stair and elevator will be built at the intersection of the new passenger bridge and the existing building.

The New Terminal is fully fire-sprinklered and has been designed to accommodate a public occupancy (Classification A-3) and Building Code Classification 1-A; the structure is designed for a 130-mph wind speed and seismic category C. The exterior enclosure is composed of insulated, prefinished metal panels and insulating glass curtainwall. A central chiller plant provides cooling, and roof-mounted air handlers are located near the chillers. A robust communications backbone will support both proprietary and common-use data systems, including flight information (FIDS) and gate information (GIDS).

#### *Existing Terminal Improvements*

This part of the Terminal Capacity Enhancement Program entails refurbished passenger services, including public toilets and concession areas, will support the passenger traffic at the existing gates. Federal Inspection Services will continue to operate in the area adjacent to the ground level baggage claim area for inbound international passengers, but the remainder of the existing terminal building will not be accessible to the public. The current ticketing lobby, passenger security screening area, and ground level concessions areas are scheduled to be converted to offices and airport services support facilities. The current Airport administrative and operations offices and airline support areas will remain. As required by the City of Myrtle Beach Community Appearance Board, the exterior of the existing building will be renovated to compliment the appearance of the new Terminal.

#### *Airside Improvements*

To accommodate the construction of the new Terminal, existing Taxiway A is being reconfigured. Furthermore, additional concrete apron paving is required to provide aircraft parking positions for the new concourse. Other airside improvements include new aircraft markings, apron

lighting, and signage, which will support aircraft movement and parking around the new concourse and passenger terminal buildings.

### *Landside Improvements*

Landside improvements included in the Terminal Capacity Enhancement Program are comprised of the construction of a new access road, development of a new rental car facility, and the construction of new parking lots, each of which is described below. Also included in landside improvements associated with the Terminal Capacity Enhancement Program are utility expansion projects and landscaping and irrigation improvements to address the City of Myrtle Beach's current land development standards.

To accommodate the new Harrelson Boulevard alignment and to provide access to the new Terminal, a new airport access road is required. The new access road includes a new intersection at Harrelson Boulevard with traffic control signals, a security inspections lot for periods of increased security threat conditions, access to new public parking and rental car lots, passenger drop-off/pick-up lanes at the new Terminal, commercial vehicle drop-off lane at the new Terminal, and a new commercial vehicle staging and passenger pick-up area. The resulting roadway system will decrease congestion and stopped vehicles at the terminal building entrances, improving Airport traffic and security.

Additional access road improvements include associated storm drainage, lighting, landscaping, and sidewalks. A new 11,000 square-foot rental car facility adjacent to the vehicular drop-off/pickup lanes at the new Terminal consolidates all of the rental car companies into a single passenger service area. The new rental car facility includes rental car counters, queuing areas, rental agency offices, and public toilet rooms along with a new rental car ready/return lot. The facility is connected to the new Terminal by a canopied walkway. The new rental car facility is located near the baggage claim area in the new Terminal, and the canopied walkway provides a direct connection between the new arrivals hall in the new Terminal and the new rental car facility.

New parking lots will be located for convenient access to the new Terminal. Three types of parking services will be provided: short-term parking (hourly), long-term parking (daily or weekly), and credit-card payment only parking. All three lots are accessed from the new access road, and sidewalks provide pedestrian access to the new Terminal. A new "toll plaza" will offer automated and teller payment options for the short-term and long-term lots; separate automated kiosks are provided at the credit-card lot.

### **Harrelson Boulevard Improvements**

As part of the Harrelson Boulevard improvements (the "Harrelson Boulevard Improvements"), a new roadway will be constructed through the Airport extending Harrelson Boulevard to 17 Business. This roadway will, for the first time, allow Airport customers direct access from the Airport to 17 Business and the beach areas. This planned roadway, approximately 1.6 miles in length, will be a two-lane divided, limited access roadway, constructed and paid for by Horry County. This roadway will have a 130-foot wide right-of-way, 12-foot wide travel lanes, curb and gutter, a 20-foot wide median and a 10-foot wide multipurpose path, separated from the roadway by a 10-foot wide buffer.

### **Costs of the 2010 Projects**

The total Terminal Capacity Enhancement Program is estimated to cost approximately \$118.1 million. The Harrelson Boulevard Improvements, which is a separate project from the Terminal Capacity Enhancement Program, has an estimated cost of \$8.9 million.

<u>Element</u>	<u>Estimated Cost (\$'s in millions)</u>
Terminal Capacity Enhancement Program	
New Terminal	\$65.1
Landside Improvements	11.3
Airside Improvements	5.6
Existing Terminal Renovation	5.0
Design & Construction Administration	21.2
Technology & Furnishings	3.6
Program Contingency	<u>6.4</u>
Subtotal	\$118.1
Harrelson Boulevard Improvements	<u>\$8.9</u>
Total 2010 Projects	\$127.0

Note: Total may not add due to rounding.

The County has received bids for the construction portion of the Terminal Capacity Enhancement Program, and expects to enter into guaranteed price contracts with the successful bidders. It is currently anticipated that the various elements of the Terminal Capacity Enhancement Program will be completed by the dates shown below.

<u>Element</u>	<u>Date of Completion</u>
New Terminal	December 2012
Existing Terminal Improvements	December 2013
Airside Improvements	June 2011
Landside Improvements	March 2013

The County received bids for the Harrelson Boulevard Improvements in September 2010, and expects to enter into a guaranteed price contract with the successful bidder (with allowances for certain elements of the Terminal Capacity Enhancement Program). It is anticipated that the Harrelson Boulevard Improvements will be completed in December 2011.

*Sources of Financing*

The County has developed the following funding plan for the 2010 Projects:

<u>Funding Source</u>	<u>Amount</u> <u>(\$'s in millions)</u>
<u>Terminal Capacity Enhancement Program</u>	
Series 2010A Bond Proceeds	\$ 41.3
Airport Cash	16.5
PAYGO PFC Funds	18.0
Contract Facility Charges (Car Rental)	7.3
FAA Airport Improvement Program Grants	23.6
TSA Grants	7.5
Local Grant (MBAFB Redevelopment Authority)	<u>3.8</u>
Subtotal	\$118.1
<u>Harrelson Boulevard Improvements</u>	
Series 2010B Bond Proceeds	\$8.5
Local Grants	<u>0.4</u>
Subtotal	<u>\$ 8.9</u>
Total – 2010 Projects	\$127.0

Note: Total may not add due to rounding.

## SOURCES AND USES OF FUNDS

### Estimated Sources and Uses of Funds

The table below sets forth the estimated sources and uses of funds associated with the issuance of the Series 2010 Bonds.

	<u>Series 2010A</u> <u>Bonds</u>	<u>Series 2010B</u> <u>Bonds</u>	<u>Total</u>
<b>Sources of Funds:</b>			
Principal Amount	\$50,870,000.00	\$9,720,000.00	\$60,590,000.00
Less: Net Original Issue Discount	211,084.85	-	211,084.85
Total Sources	<u>\$50,658,915.15</u>	<u>\$9,720,000.00</u>	<u>\$60,378,915.15</u>
<b>Uses of Funds:</b>			
Construction Account	\$41,333,092.64	\$8,467,917.32	\$49,801,009.96
Capitalized Interest Account	4,830,744.27	406,488.02	5,237,232.29
Debt Service Reserve Fund Account	3,616,810.91	691,083.19	4,307,894.10
Costs of Issuance <sup>(1)</sup>	<u>878,267.33</u>	<u>154,511.47</u>	<u>1,032,778.80</u>
Total Uses	<u>\$50,658,915.15</u>	<u>\$9,720,000.00</u>	<u>\$60,378,915.15</u>

<sup>(1)</sup>Includes Underwriters' discount, rating agency fee, Trustee's fee, municipal bond insurance premium with respect to Insured Series 2010A Bonds, legal fees and expenses and other similar issuance costs.

## Debt Service Requirements

The following table sets forth the Fiscal Year debt service requirements with respect to the Series 2010 Bonds. The debt service shown on such table is for the period in which it accrues.

Year Ending <u>June 30,</u>	<u>Series 2010A Bonds</u>		<u>Series 2010B Bonds</u>		<u>Total Debt Service<sup>(1)(2)</sup></u>
	<u>Principal</u>	<u>Interest<sup>(1)</sup></u>	<u>Principal</u>	<u>Interest<sup>(1)(2)</sup></u>	
2011	\$ 0	\$ 0	\$ 0	\$ 199,439	\$ 199,439
2012	0	0	0	549,050	549,050
2013	0	1,384,782	0	712,282	2,097,064
2014	1,215,000	2,373,913	0	712,282	4,301,194
2015	1,270,000	2,325,313	0	712,282	4,307,594
2016	1,320,000	2,274,513	0	712,282	4,306,794
2017	1,370,000	2,221,713	0	712,282	4,303,994
2018	1,415,000	2,180,613	0	712,282	4,307,894
2019	1,480,000	2,109,863	0	712,282	4,302,144
2020	1,540,000	2,050,663	0	712,282	4,302,944
2021	1,615,000	1,977,563	0	712,282	4,304,844
2022	1,680,000	1,912,963	0	712,282	4,305,244
2023	1,745,000	1,845,763	0	712,282	4,303,044
2024	1,835,000	1,758,513	0	712,282	4,305,794
2025	1,915,000	1,678,231	0	712,282	4,305,513
2026	2,000,000	1,594,450	0	712,282	4,306,732
2027	2,085,000	1,506,950	0	712,282	4,304,232
2028	2,185,000	1,406,525	0	712,282	4,303,807
2029	2,290,000	1,301,300	0	712,282	4,303,582
2030	2,335,000	1,191,050	65,000	712,282	4,303,332
2031	1,715,000	1,078,750	800,000	707,518	4,301,268
2032	1,800,000	993,000	835,000	648,894	4,276,894
2033	1,890,000	903,000	865,000	587,706	4,245,706
2034	1,985,000	808,500	900,000	524,318	4,217,818
2035	2,085,000	709,250	940,000	458,366	4,192,616
2036	2,190,000	605,000	980,000	389,483	4,164,483
2037	2,300,000	495,500	1,020,000	317,669	4,133,169
2038	2,415,000	380,500	1,060,000	242,923	4,098,423
2039	2,535,000	259,750	1,105,000	165,246	4,064,996
2040	<u>2,660,000</u>	<u>133,000</u>	<u>1,150,000</u>	<u>84,272</u>	<u>4,027,272</u>
Total	<u>\$50,870,000</u>	<u>\$39,460,926</u>	<u>\$9,720,000</u>	<u>\$17,695,955</u>	<u>\$117,746,881</u>

<sup>(1)</sup>Net of interest to be paid from proceeds of Series 2010 Bonds.

<sup>(2)</sup>Debt service shown has not been reduced by expected receipts of Federal Direct payments relating to Series 2010B Bonds.

Note: Totals may not add due to rounding.

## THE COUNTY AND THE DEPARTMENT OF AIRPORTS

### The County

The County is a political subdivision and body politic and corporate of the State and is authorized and empowered, acting by and through its County Council (the "County Council"), under the Act and pursuant to the Ordinances to issue the Series 2010 Bonds for the purposes herein described. For a summary description of the Ordinances, see APPENDIX C.

The County Council appoints a County Administrator who serves as the chief administrative officer of the County and executes the policies and directives of the County Council.

Set forth below are the present members of the County Council and their years of service thereon.

<u>Member</u>	<u>Years as Member</u>
Liz Gilland, Chairman	15
W. Paul Prince, Vice Chairman	18
Al Allen	4
Bob Grabowski	6
Brent Schulz	4
Carl Schwartzkopf	7
Gary Loftus	2
Harold G. Worley	8
Howard D. Barnard, III	6
James R. Frazier	30
Jody Prince	2
Marion Foxworth, III	7

### The Department of Airports

The Airport has been operated by the County through the Horry County Department of Airports (the "Department of Airports") since 1987. The County Administrator oversees the Department of Airports. The County Administrator appoints a Director of the Department of Airports, which Director is responsible for handling matters affecting the airports of the County, all under the supervision of the County Administrator.

An Airport Advisory Committee, the members of which are appointed by County Council, meets periodically to give advice and to make certain recommendations to the County Council concerning the operation and management of the County-operated airports, including the Airport.

### Organization and Management

The Director of the Department of Airports is Michael La Pier, A.A.E. He assumed this position in September 2010. He brings over 27 years of airport management experience to his role as Airport Director. Prior to joining the County in September 2010, Mr. La Pier was Chief Operating Officer at the Sacramento County (CA) Airport System from May 2008 until September 2010. He also served as Airport Manager at St. George Municipal Airport (UT) from 2005 until 2008 and as Executive Director of the Central Illinois Regional Airport from 1987 until 2004. La Pier is an Accredited Airport Executive with the American Association of Airport Executives. Mr. La Pier received his Bachelor of Science in Business from Rockford College.

The Deputy Director of Finance and Administration for the Department of Airports is Patricia Apone, A.A.E. She has been with the Airport since November of 1997, holding several financial positions including Finance Manager, Airport Chief Financial Officer as well as her current position. From June 2009 until September 2010, she was Co-Interim Director of Airports along with Robert Woods. She received a Bachelor of Science in Accounting and Finance from Coastal Carolina University and her Masters in Business Administration from Winthrop University.

The Assistant Director of Airports, whose functions include oversight of airline, rental car and terminal concessions, as well as Airport security, is Robert Woods. He has served in this position since 1993. Mr. Woods was a pilot in the United States Air Force from 1969 until 1991, retiring as a Lieutenant Colonel. He received his Bachelor of Science in Business from Fresno State College and his Masters in Public Administration from Golden Gate University.

The Airport Engineer, whose responsibilities include oversight of all Airport engineering and planning and management of all capital projects at the Airport and Horry County's three general aviation airports, is Kenneth Hawk, Jr., P.E. He has served in this position since 2004. Mr. Hawk is a registered professional engineer in South Carolina, Florida, New York and New Jersey and has 30 years of experience in his field. He received his Masters in Business Administration and Bachelor of Science in Civil and Environmental Engineering from Clarkson University.

The General Aviation Manager, whose primary responsibilities are related to property management and the oversight of the County's three other airports (see "County Airports"), is Michael Marlowe. He has served in this position since 1995. He held numerous pilot and staff positions during his 28 years of distinguished service in the U. S. Air Force and Reserves, retiring as a Lieutenant Colonel. Mr. Marlowe continues to fly and pilot his own aircraft. He is an instructor pilot and serves as a FAA pilot examiner. He is a former legislative chairman and board member of the South Carolina Aviation Association and was appointed in 2004 by the state legislature to serve as district one commissioner on the State Aeronautics Commission. He received a Bachelor of Arts in History and Political Science from the University of South Carolina.

There are currently 110 full-time staff positions authorized for the Department of Airports including administrative staff, operations, maintenance and public safety personnel.

## **County Airports**

In addition to the Airport, the County owns and the Department of Airports operates three additional airports, all of which are general aviation-only facilities. These facilities are the Grand Strand Airport in North Myrtle Beach, the Conway/Horry County Airport in Conway and the Twin City Airport in Loris. The revenues of the other three airports are not pledged as security for the payment of the Bonds.

## **THE AIRPORT**

### **Air Service Area**

The primary air service area of the Airport is Horry and Georgetown Counties (the "Air Service Area"). These counties are located in the northeast corner of South Carolina. Tourism related to the coastal portion of the Air Service Area (known as the "Grand Strand") is the predominant component of demand for air service in the Air Service Area. The vast majority of passenger activity at the Airport consists of origination and destination traffic, and not connecting traffic. Due to the tourism-based demand for air services at the Airport, passenger traffic at the Airport is seasonal. The trend has been for passenger traffic to

peak during the summer season and decline during the winter months. The tourist season is generally considered to last approximately ten months out of the year.

The Grand Strand is one of the primary tourist destinations on the East Coast of the United States. The tourist attractions in the area include the approximately 60 miles of beaches in Horry and Georgetown Counties, and golf, entertainment and other recreational activities.

Recreational facilities in the Grand Strand area include more than 100 eighteen-hole championship golf courses, numerous large-scale tennis facility complexes and abundant salt and fresh water fishing. There are over 89,000 lodging accommodations and more than 1,700 full-service restaurants in the Grand Strand area to serve vacationers and other visitors. The Grand Strand area is also the home of several live entertainment theaters/venues, historical sites and museums.

## **Description of the Airport**

### *General*

Prior to 1976 (the year joint use at the current location of the Airport was established with the United States Air Force), commercial air service was provided at the Grand Strand Airport, now one of the general aviation airports operated by the County. The Airport was established in 1975 on approximately 139 acres of land on the former Myrtle Beach Air Force Base (the "Air Force Base") premises, located within the City of Myrtle Beach. The original passenger terminal facility was constructed in 1977. As discussed below, the Air Force Base was closed by the United States Air Force (the "Air Force") in March 1993.

The Airport is the primary commercial aviation facility for the Air Service Area. The Airport encompasses 1,946 acres, of which approximately 467 acres is reserved for the Myrtle Beach International Technology and Aerospace Park. It is located approximately four miles from the center of the City of Myrtle Beach, approximately 18 miles south of the City of North Myrtle Beach, approximately 14 miles east of the City of Conway and approximately 31 miles north of the City of Georgetown. The Airport is located off U.S. Highway 17 Bypass, less than one mile south of the intersection of U.S. Highways 17 Bypass and 501.

### *Airfield*

The Airfield consists of approximately 900 acres of airfield land and includes a single runway, which is 9,500 feet by 150 feet and two parallel taxiway systems. Navigational and landing aids at the airfield include high intensity lights on the runway, two instrument landing systems, and an air traffic control tower and radar approach control (manned by FAA personnel). Public safety services (aircraft rescue firefighting, emergency medical and police/security) are provided by the County as well.

### *Passenger Terminal Facilities*

A two-level passenger terminal facility is operated and maintained at the Airport by the County. It is located on the easterly side of the airfield. The lower level includes airline ticket counters and offices, a main lobby, one departure gate, baggage claim lobby and conveyors, rental car counters and offices, a snack bar, international arrivals facilities, public restrooms and various support areas. The upper level contains a restaurant, a lounge, associated kitchen facilities, a gift shop, a snack bar, a departure concourse with six airline departure gates with loading bridges that serve six narrow-body jet aircraft parking positions, various support areas and the administrative offices of the Department of Airports. The total area of the passenger terminal is approximately 147,000 square feet.

The terminal aircraft parking apron consists of approximately 100,000 square yards of pavement which will accommodate up to 11 air carrier jet aircraft or a greater number of combined jet and commuter aircraft at the passenger terminal.

The passenger terminal facility also includes an adjacent public automobile surface parking lots capable of accommodating approximately 1,231 vehicles, various surface employee parking lots, a 442 space ready return rental car surface parking lot, and extensive facilities for commercial type vehicles. In addition, five existing rental car service facilities accommodate 208 additional surface rental car ready return lot parking spaces.

### *Cargo Building*

An approximately 3,550 square foot masonry veneer air cargo building, with associated aircraft parking apron, automobile parking spaces and office area, is located to the north of the passenger terminal building.

### *General Aviation Facilities*

The County owns and, through the Department of Airports, operates the fixed base operator ("FBO") at the Airport. The FBO, located on the westerly side of the airfield, was established by the County in September 1994. In the spring of 2010, FBO facilities were expanded with the opening of a new general aviation terminal at the Airport which contains FBO administration areas, a passenger lounge, snack bar, public restrooms, a private pilot lounge with restroom, shower and quiet room, a multi-purpose/training room, conference room and business center. Additional facilities at the FBO include three hangars for public space rental, ten T-hangars and tie-down rental spaces for aircraft. The services provided by the FBO include aircraft fueling, flight planning, WI-FI internet service, weather data and on-site automobile rentals. Other general aviation tenants on the Airport provide flight training, aircraft maintenance and painting, avionics and aircraft interior repair and aircraft accessory repair and restorations. In addition, customs/immigration services at the FBO site are offered by the U.S. Customs and Border Protection Department, with a two-hour notice requirement. The Airport's capital plan also indicated the need for ten additional T-hangars, which will be developed as demand warrants.

### *Aviation Leased Facilities*

A series of five hangars and associated office space and automobile parking areas on the westerly side of the airfield are leased by the County to various aviation-related tenants, which in general provide aircraft maintenance and painting and avionics services to various type aircraft. In addition to the five leased hangars, there are three hangars leased by the FBO to the general aviation public.

### *Fuel Farm Facilities*

The County owns and, through the Department of Airports, operates two fuel farm facilities; one on the northeasterly side of the airport (for commercial aircraft) and one on the southwesterly side of the airfield (for general aviation).

## **Air Force Base Land and Facilities**

From 1975 until March 1993, the Airport used the airfield facilities of the Air Force Base pursuant to a Joint Use Contract between the County and the Air Force (the "Joint Use Contract"). Among other things, the Joint Use Contract required the County to construct at its expense a civilian passenger terminal, aircraft parking apron and parallel taxiway on land on the east side of the Air Force Base, adjacent to the airfield. The construction of the passenger terminal was completed by the County in 1977 and the same was initially

expanded in 1986. The passenger terminal was expanded into the present day facility in 1991 through 1993 from, among other sources, proceeds of the airport revenue bonds issued in 1990. Coincident with the execution of the original Joint Use Contract, the Air Force and the County executed a lease (the "Lease") which originally leased to the County 139.4 acres on the Air Force Base on which to operate the passenger terminal and associated taxiways and aircraft parking aprons of the Airport (but not including the airfield).

When the Air Force Base was selected for closure as a military facility in 1991 and was officially closed in March 1993, the Air Force determined that "paramount military necessity" required that the Joint Use Contract be terminated at closure of the Air Force Base.

In conjunction with the closure of the Air Force Base, the Air Force, as required by federal law, conducted studies to make recommendations as to the disposition of the Air Force Base property. As a result of this process, of eight designated parcels comprising the old Air Force Base, the Air Force determined that Parcel 5, consisting of approximately 1,247 acres comprising the original premises leased under the Lease plus the airfield and "General Aviation Facilities" and "Aviation Leased Facilities" described under "--Description of the Airport" under this heading above, were conveyed to the County at no consideration. In addition, the Air Force determined that approximately 178 acres of former Air Force Base property in Parcel 3 to the south of the passenger terminal complex should be conveyed to the State in return for an exchange of certain land owned by the State. The County subsequently purchased the State's interest in the 178 acres of Parcel 3. Additional parcels which were part of the Air Force Base have also been conveyed to the County.

Pursuant to federal law, the Air Force may not convey title to any of the Air Force Base property until the Air Force has assessed and remediated certain environmental contamination that existed on the Air Force Base prior to its closure or has made a determination that no further action is required with respect to the same. While the Air Force has identified the basic extent of such contamination at various sites within the former Air Force Base, it has not completed the necessary remediation.

The deeds of conveyance from the United States of the former Air Force Base property typically reserved certain rights to enter the properties in connection with environmental remediation and monitoring. Certain of the parcels which are ongoing passive remediation or monitoring were conveyed subject to use restrictions and soil and monitoring equipment non-disturbance requirements, the violation of which may affect the warranty of the United States to take future remedial action found to be necessary for the remediation of contamination to the property prior to the time it was conveyed by the United States.

In addition to the general reservations of rights, the deeds to approximately 1,843 acres (including the terminal, aprons and airfield) contain additional statutorily-derived covenants in favor of the FAA (compliance with which may be waived by the FAA). In the event that any of the statutorily-derived covenants in favor of the FAA set forth in the deeds are not met, observed or complied with by the County, then all title, right and possession of the property transferred shall, at the option of the United States, revert to the United States in its then existing condition 60 days following a demand to that is made by the FAA unless the default or violation is cured within such 60-day period.

### **Environmental Remediation**

As discussed above, various types and degrees of environmental contamination within or relating to Parcel 5 and Parcel 3 of the former Air Force Base property were identified by the Air Force in conjunction with the closure of the Air Force Base in 1993. Under federal law and the terms of the Lease, the Air Force is responsible for the remediation of certain levels of contamination on the property caused by the Air Force prior to the time of closure of the Air Force Base. With respect to Parcel 5, the Air Force identified in 1993 the following general types of contamination: (i) the location of asbestos in aircraft hangar and maintenance buildings on the opposite side of the runway from the Airport's passenger terminal building, (ii) the location of certain underground fuel storage tanks on the opposite side of the runway, (iii) portions of an Air Force Base-

wide system of drainage ditches and storm sewers with low levels of contaminated surface waters or sediment, and (iv) the migration of certain fuels, solvents and related hazardous materials from a former aircraft engine maintenance shop towards the extreme southern end of the Airport runway. Since 1993, the Air Force has undertaken removal and/or remediation action in buildings where asbestos contamination has been identified, has caused the removal of the underground fuel storage tanks and has continued to monitor the levels of contamination related to the drainage ditch system in case future remediation is required. With respect to the underground migration of fuels and solvents towards the southern end of the Airport runway, the County's environmental consultants have advised the County that the studies conducted by the Air Force reflect that the Air Force should be able to remediate the condition through a pump and treat technology that would not be expected to impair operations on the runway.

Accordingly, the County believes that none of the contamination related to Parcel 5 will have a material impact on the operations or financial condition of the Airport.

With respect to Parcel 3, identified contamination includes (i) the presence of certain former landfills used by the Air Force, (ii) organic solvents present in the ground in Parcel 3 at several points related to the site of a former Air Force Base fire training area, and (iii) portions of the Air Force Base-wide system of drainage ditches and storm sewers referred to above that are located on Parcel 3 which have been investigated and no further action is required.

Although the remediation required of the Air Force of the landfill sites referred to above has not been fully completed, the County believes that the location, and remediation, of the same will have no material impact on the location, construction or operation of any portion of the 2010 Projects. With respect to the fuel storage and dispensing sites referred to above, the contamination relating to the same has either been remediated to the satisfaction of the Air Force and the South Carolina Department of Health and Environmental Control ("SCDHEC") and will have no impact, in the opinion of the County, on the location, construction or operation of any portion of the 2010 Projects. Construction of the same was conducted under the supervision of SCDHEC, with the requirement that certain contaminated soils at the site be removed to off-site qualified landfills or entombed through the paving process.

### **Rental Car Contract Facility Charge Program**

Pursuant to the Rental Car Concession Agreements (hereafter defined), each rental car concessionaire has agreed to collect a contract facility charge (the "Contract Facility Charge") with respect to every rental car transaction engaged in by the concessionaire. Concessionaires shall collect Contract Facility Charges only on those transactions involving persons making contact with the concessionaire at or through the Airport, regardless of when, where or how the contact was made. Only those transactions in which the customer did not enter Airport property and had no contact with the concessionaire's on-Airport operations are exempt from paying Contract Facility Charges. The Contract Facility Charges collected by the concessionaires are held in trust for the County, and the concessionaire has no legal or other right, claim or interest in the Contract Facility Charges. The concessionaire acknowledges that it has a fiduciary obligation to the County to report accurately and pay over to the County on a monthly basis all of the Contract Facility Charges to which the County is entitled. The County reserves the right to increase the required Contract Facility Charge amount (currently \$4.00 per customer per day, to a maximum of \$52.00 per customer per month) in the event that the total number of concessionaires falls below nine for whatever reason. For purposes of evaluating and setting Contract Facility Charges under the Rental Car Concession Agreements, a concessionaire operating under a dual brand proposal shall count as one concessionaire. Concessionaire shall remit all Contract Facility Charges due under the Rental Car Concession Agreements to the County no later than the tenth day of every month without demand.

## **Passenger Facility Charge Program**

In 1990, Congress passed the Aviation Safety and Capacity Expansion Act which authorizes a public agency which controls an airport to impose a Passenger Facility Charge for each enplaned passenger at such airport, subject to certain limitations and exceptions. Section 1113(e) of the Federal Aviation Act, as amended (the “Passenger Facility Charge Act”), empowers the FAA to authorize a public agency which controls an airport to impose a Passenger Facility Charge of up to \$4.50 for each enplaned passenger. Proceeds of an authorized Passenger Facility Charge may be used only to fund specific airport projects approved by the FAA, or to pay debt service and other financing costs on bonds issued to fund such specific projects, that (i) preserve or enhance capacity, safety or security of the national air transportation system, (ii) reduce noise impacts resulting from an airport or (iii) furnish opportunities for enhanced competition among air carriers.

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (“AIR-21”), signed into law on April 5, 2000, enabled a public agency to apply to the FAA to increase the Passenger Facility Charge level that it may charge to \$4.00 or \$4.50. For a public agency to qualify for a Passenger Facility Charge level above \$3, AIR-21 requires that the FAA must review the public agency’s application or amendment request to make specified findings that are additional to those already required under the Passenger Facility Charge statute and regulation. Under AIR-21, the FAA must find the following for any project to be collected at the \$4.00 or \$4.50 level: (i) the project cannot be paid for from funds reasonably expected to be available from the FAA AIP grants; (ii) if the project is an eligible surface transportation or terminal project, the public agency has made adequate provision for financing the airside needs of the airport, including runways, taxiways, aprons, and aircraft gates; and (iii) in the case of a medium or large hub airport seeking the higher Passenger Facility Charge, the project will make a significant contribution to improving air safety and security, increasing competition among air carriers, reducing current or anticipated congestion, or reducing the impact of aviation noise on people living near the airport.

Under three previously approved Passenger Facility Charge applications, the Airport had imposed and collected Passenger Facility Charges until collection authority expired on July 31, 2007. As of June 30, 2010, the Airport held \$14.1 million of unused Passenger Facility Charges collected under these prior applications. The Airport received a Final Agency Decision from the Federal Aviation Administration of its Passenger Facility Charge Application 10-04-C-00-MYR on April 28, 2010, which approves collection and use of Passenger Facility Charges (including the \$14.1 million collected under prior applications) for portions of the Program at the \$4.50 level beginning June 1, 2010 with an estimated expiration on January 1, 2032 in an amount (net Passenger Facility Charge revenue collected plus interest) not to exceed \$104,020,700. Under prior approved applications, the airlines operating at the Airport began imposing Passenger Facility Charges at the Airport in October 1996, but discontinued such collections on August 1, 2007. As of June 30, 2010, the County had unspent Passenger Facility Charge revenue of \$14.1 million which can be spent on Passenger Facility Charge approved portions of the Terminal Capacity Enhancement Program. The Passenger Facility Charge approval also includes authorization to pay a portion of eligible debt service on the Series 2010A Bonds.

With regard to the Terminal Capacity Enhancement Program, approximately \$18.0 million of the project costs will be funded with Passenger Facility Charges on a pay-as-you-go basis. Additionally, \$76.6 million of Passenger Facility Charges are anticipated to be applied to a portion of the eligible debt service on the Series 2010A Bonds.

## **Federal Grants**

The County expects to utilize both Airport Improvement Program (“AIP”) entitlement and discretionary grants for eligible capital projects. Approximately \$23.6 million of AIP grants are planned

to be used to fund the Terminal Capacity Enhancement Project, of which approximately \$8.6 million has already been received by the County.

The Airport and Airway Improvement Act of 1982 (the "AIP Act") authorized the levy of certain aviation user taxes and created the Airport and Airway Trust Fund (the "Trust Fund") in which the proceeds of those taxes are to be accumulated. The AIP Act further created the AIP under which the FAA allocates moneys for airport and airway improvements, when and to the extent Congress and the President provide appropriations from the Trust Fund.

Through Congressional appropriation, AIP grants are made available each year to operators of public use airports to fund a portion of the capital cost of eligible airport improvements. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon enplaned passengers and cargo and discretionary funds are available at the discretion of the FAA based upon a national priority system.

The AIP reauthorization, a portion of the spending bill that funds the FAA, is currently being reviewed in Congress. The proposed AIP reauthorizations include regulations for the Passenger Facility Charge program. The version of the bill in the House of Representatives (H.R. 915) was passed on May 21, 2009 and includes an increase of the Passenger Facility Charge collection limitation from \$4.50 to \$7.00. The Senate version of the bill (S. 1451) that was reported out of the Senate Committee on Commerce, Science and Transportation on September 29, 2009 does not increase the Passenger Facility Charge collection limitation from the existing \$4.50 level. The Senate approved S. 1451 on March 22, 2010. Now the House and Senate bills need to be reconciled and the consolidated version of the bill must be passed by the Senate and the House to become effective.

### **Passenger Enplanements**

As shown in the below table, passenger activity at the Airport has fluctuated year over year, increasing from 712,282 enplanements in Fiscal Year 2000 to 765,156 in Fiscal Year 2010, a compounded annual growth rate of 0.7 percent. From Fiscal Year 2000 to Fiscal Year 2003, Airport enplanements decreased at a compounded annual rate of 4.4 percent, as a result of the September 11, 2001 attacks and economic slowdown. Since 2003, Airport enplanements have increased in each year with the exception of Fiscal Years 2006 and 2009. Airport enplanements increased at a compounded annual growth rate of 3.0 percent from Fiscal Year 2003 to Fiscal Year 2010.

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<u>Fiscal Year</u>	<u>Enplanements</u>	<u>Growth</u>
2000	712,282	-
2001	775,689	8.9%
2002	644,781	(16.9)
2003	623,272	(3.3)
2004	752,031	20.7
2005	778,714	3.5
2006	726,776	(6.7)
2007	787,426	8.3
2008	840,312	6.7
2009	742,744	(11.6)
2010	765,156	3.0

Compounded Annual Growth Rate

2000-2010	0.7%
2000-2003	(4.4)
2003-2010	3.0

Source: Horry County Department of Airports.

For the first three months of Fiscal Year 2011 (ending September 30, 2010), Airport enplanements are up 30.3% compared to the same period in Fiscal Year 2010:

	<u>2009</u>	<u>2010</u>	<u>Growth</u>
July	85,904	111,046	29.3%
August	87,546	112,584	28.6
September	<u>64,096</u>	<u>85,888</u>	<u>34.0</u>
	237,546	309,518	30.3%

Source: Horry County Department of Airports.

*[Remainder of page intentionally blank]*

The following table sets forth total passenger traffic at the Airport and for the United States as a whole for the calendar years indicated.

<u>Year</u>	<u>Airport</u>		<u>United States</u>	
	<u>Enplaned Passengers</u>	<u>Annual Growth Rate</u>	<u>Enplaned Passengers<sup>(1)</sup></u>	<u>Annual Growth Rate</u>
1999	648,217	-	675,525,321	-
2000	792,529	22.3%	704,848,031	4.3%
2001	711,520	(10.2)	693,148,020	(1.7)
2002	631,283	(11.3)	627,651,689	(9.4)
2003	668,951	6.0	643,225,115	2.5
2004	768,944	14.9	690,968,138	7.4
2005	785,321	2.1	733,406,794	6.1
2006	723,900	(7.8)	732,886,752	(0.1)
2007	844,373	16.6	756,525,465	3.2
2008	783,351	(7.2)	746,909,759	(1.3)
2009	742,187	(5.3)	689,323,986 <sup>(2)</sup>	(7.7)

<u>Year</u>	<u>Compounded Annual Growth Rate</u>	
	<u>Airport</u>	<u>United States</u>
1999-2009	1.4%	0.2%
1999-2002	(0.9)	(2.4)
2002-2009	2.3	1.3

(1) FAA Terminal Area Forecast Data.

(2) Forecast by the FAA.

Source: Horry County Department of Airports (Airport activity); FAA (U.S. activity), June 2010.

### **Airlines and Market Share**

The table on the following page details passenger enplanements, including market share, for each passenger airline serving the Airport since Fiscal Year 2006. As shown in the table, Spirit Airlines, Inc. and USAirways were in Fiscal Year 2010 the two largest airlines at the Airport with a market share of over 38% and 26%, respectively. Delta had a Fiscal Year 2010 market share of 18.6% at the Airport.

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**MYRTLE BEACH INTERNATIONAL AIRPORT  
HISTORICAL PASSENGER ENPLANEMENTS AND MARKET SHARES**

Airline	FY 2006		FY 2007		FY 2008		FY 2009		FY 2010	
	Enplaned Passengers	Share								
Spirit	152,976	21.0%	260,729	33.1%	334,338	39.8%	300,974	40.5%	292,038	38.2%
US Airways Carriers <sup>1/</sup>	231,794	31.9	240,851	30.6	240,179	28.6	195,440	26.3	197,952	25.9
Delta Carriers <sup>2/</sup>	161,621	22.2	160,557	20.4	154,752	18.4	130,581	17.6	142,288	18.6
Direct Air	-	0.0	11,581	1.5	45,175	5.4	57,971	7.8	62,758	8.2
Continental Carriers <sup>3/</sup>	29,139	4.0	28,117	3.6	30,811	3.7	29,532	4.0	28,115	3.7
Allegiant	-	0.0	-	0.0	-	0.0	4,358	0.6	26,082	3.4
United Carriers <sup>4/</sup>	66,801	9.2	47,713	6.1	31,411	3.7	21,146	2.8	10,242	1.3
American Carriers <sup>5/</sup>	-	0.0	-	0.0	-	0.0	-	0.0	2,392	0.3
Porter	-	0.0	-	0.0	-	0.0	-	0.0	1,277	0.2
AirTran	47,030	6.5	35,491	4.5	-	0.0	-	0.0	-	0.0
HootersAir	36,526	5.0	-	0.0	-	0.0	-	0.0	-	0.0
Other <sup>6/</sup>	889	0.1	2,387	0.3	3,646	0.4	2,742	0.4	2,012	0.3
<b>Airport Total</b>	<b>726,776</b>	<b>100.0%</b>	<b>787,426</b>	<b>100.0%</b>	<b>840,312</b>	<b>100.0%</b>	<b>742,744</b>	<b>100.0%</b>	<b>765,156</b>	<b>100.0%</b>

Notes:

- 1/ Includes data for US Airways, Air Wisconsin, Chautauqua, Mesa, Piedmont, PSA, Republic, and Trans States.
- 2/ Includes data for Delta, Atlantic Southeast, Chautauqua, Comair, Compass, Mesaba, Northwest, and Pinnacle.
- 3/ Includes data for Continental, Colgan, and ExpressJet.
- 4/ Includes data for Air Wisconsin, Chautauqua, Mesa, Shuttle America, and Trans States.
- 5/ Includes American and American Eagle.
- 6/ Consists of charter & other activity.

Source: Horry County Department of Airports.

## Origin and Destination Markets

The Airport serves origin and destination passengers, with the primary demand for air services being a function of the Myrtle Beach area as a tourist destination. Origin and Destination Passengers accounted for approximately 90% of total passengers at the Airport in Fiscal Year 2009. The closest commercial service airports are located in Florence, South Carolina (65 miles from the Airport), Charleston, South Carolina (95 miles) and Wilmington, North Carolina (70 miles).

## Commercial Passenger Aircraft Operations

Aircraft operations include take-offs and landings of aircraft. Set forth in the table below are aircraft operations at the Airport for the Fiscal Years indicated.

### MYRTLE BEACH INTERNATIONAL AIRPORT HISTORICAL OPERATIONS

<u>Fiscal Year</u>	<u>Mainline</u>	<u>Regional/ Commuter</u>	<u>Airline Total</u>	<u>General Aviation</u>	<u>Other Air Taxi<sup>(1)</sup></u>	<u>Military</u>	<u>Total</u>
2006	10,214	12,024	22,238	19,744	11,495	5,491	58,968
2007	11,314	10,546	21,860	22,304	7,658	6,739	58,561
2008	12,139	9,775	21,914	23,067	9,092	5,291	59,364
2009	11,780	8,296	20,076	15,647	39,638	5,654	81,015
2010	10,183	10,224	20,362	14,147	52,698	4,641	91,848
<u>Compounded Annual Growth Rate</u>							
2006-2010	0.0%	4.0%	2.3%	8.0%	46.3%	4.1%	11.7%

<sup>(1)</sup> Includes All-Cargo feeder operations.

Source: FAA Air Traffic Activity Data system (ATADS), Horry County Department of Airports.

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## Airline Revenues

Revenue received by the County from the airlines serving the Airport, such as airfield landing fees, terminal rents and security fees, and the resulting airline cost per enplaned passenger for Fiscal Years 2006 through 2010 is set forth in the table below.

### MYRTLE BEACH INTERNATIONAL AIRPORT HISTORICAL AIRLINE REVENUES

	Fiscal Year Ending June 30,				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Landing Fees	\$1,930,984	\$2,135,513	\$2,271,303	\$876,108	\$551,637
Terminal Rents	3,876,068	4,059,647	3,971,709	4,085,932	4,087,447
Security Fees	249,009	192,654	200,826	216,734	209,056
Signatory Airline Credit & Incentive Program	<u>(74,718)</u>	<u>(378,336)</u>	<u>(754,539)</u>	<u>(365,240)</u>	<u>(432,574)</u>
Total Airline Revenues	\$5,981,343	\$6,009,477	\$5,689,299	\$4,813,534	\$4,415,566
Enplaned Passengers	726,776	787,426	840,312	742,744	765,156
Average Airline Cost Per Enplaned Passenger	\$8.23	\$7.63	\$6.77	\$6.48	\$5.77

Source: Horry County Department of Airports

## Concessions

Concession revenues comprise rentals and fees paid by firms licensed to conduct business in the terminal complex, and include car rentals, a restaurant, a gift/news media shop, public parking lots, limousine services and advertising, among others.

### *Rental Car Concessions*

The County has entered into concession agreements (the “Rental Car Concession Agreements”) with seven automobile rental companies which serve the Airport. Each Rental Car Concession Agreement is for a term ending June 30, 2012, and provides for the use by the rental car company of a designated office and counter areas and a specified number of spaces in areas designated as a “Ready/Return Lot.” Each rental car company agrees to pay fees to the County equal to the greater of a minimum guaranteed annual payment or 10% of the rental car company’s gross revenues attributable to customer activity at the Airport, as well as a per diem for each Ready/Return lot space. The Rental Car Concession Agreements also set forth the obligations of the rental car companies to collect and remit to the County Contract Facility Charges.

### *Merchandise Concession Agreement*

The County is a party to a non-exclusive merchandise concession and lease agreement dated as of November 1, 2008 (the “Merchandise Concession Agreement”) with Airport Management Services, Inc. (the “Merchandise Concessionaire”) to provide merchandise, or news and gifts, retail service at the Airport. The Merchandise Concession Agreement, which has a term ending December 31, 2013, provides for the payment

by the Merchandise Concessionaire to the County of the greater of a minimum annual guarantee, stated percentages of gross sales (which percentages vary upon sales activities) at the Airport, \$0.50 per enplaned passenger at the Airport or 90% of the prior years' percentage rent.

*Food and Beverage Concessions*

The County is a party to a food and beverage concession agreement (the "Food and Beverage Concession Agreement") with MSE Branded Foods of South Carolina, LLC (the "Food and Beverage Concession Agreement") by which the County has granted the Food and Beverage Concessionaire the right to operate a food and beverage concession in the Airport terminal for a term ending December 31, 2013. In consideration for the concession rights, the Food and Beverage Concessionaire pays fees to the County equal to the greater of a minimum guaranteed annual payment, percentages (which vary based upon gross revenue volume) of the Food and Beverage Concessionaires' gross revenues at the Airport or the equivalent of \$0.62 per enplaned passenger at the Airport.

*Parking Concession Agreement*

Since 1975, Republic Parking System of Myrtle Beach (the "Parking Concessionaire") has held the exclusive right to operate all public parking facilities in and about the Airport terminal area pursuant to a lease agreement, as amended (the "Parking Concessionaire Lease"). The Parking Concessionaire Lease has a term which originally expired August 1, 1991, but has been extended by the County to August 1, 2011. Pursuant to the Parking Concessionaire Lease, the Parking Concessionaire pays to the County rentals based upon varying percentages of gross annual receipts in each year.

*Historical Concession Revenues*

As set forth in the table below, the total annual concession revenues at the Airport grew from \$5,367,324 in Fiscal Year 2006 to \$5,950,119 in Fiscal Year 2010.

MYRTLE BEACH INTERNATIONAL AIRPORT  
HISTORICAL CONCESSION REVENUES

	Fiscal Year Ended June 30,				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Car Rentals	\$2,847,507	\$3,104,422	\$3,256,779	\$3,231,758	\$3,211,524
Auto Parking	1,208,064	1,442,460	1,612,388	1,390,420	1,414,595
Terminal Retail & Food & Beverage	961,083	923,526	976,999	950,573	951,279
Limousine & Ground Transportation	101,708	108,102	113,490	112,028	141,647
Advertising	115,484	176,577	159,414	163,494	130,750
Other	<u>133,478</u>	<u>150,228</u>	<u>148,065</u>	<u>122,844</u>	<u>100,324</u>
Total Concession Revenues	\$5,367,324	\$5,905,315	\$6,267,135	\$5,971,117	\$5,950,119

Source: Horry County Department of Airports

## FBO and Airline Services

FBO revenue is primarily derived from the County’s sale of aviation fuel at the Airport along with revenues from other services provided by the FBO. FBO revenue equaled \$3.9 million in Fiscal Year 2010.

Airline Services revenue is derived from fueling and ground handling aircraft services provided by the County on an as requested basis from the commercial airlines.

### MYRTLE BEACH INTERNATIONAL AIRPORT HISTORICAL FBO AND AIRLINE SERVICE REVENUE

	Fiscal Year Ended June 30,				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
FBO-Fuel Sales	\$4,496,876	\$3,937,361	\$4,207,318	\$3,504,377	\$3,487,256
FBO-Other	293,236	293,044	322,847	336,054	366,096
Subtotal-FBO	4,790,112	4,230,405	4,530,165	3,840,431	3,853,352
Airline Services	814,204	903,927	880,871	774,930	591,997

Source: Horry County Department of Airports

## Non-System Amounts

On May 5, 2007, the County and the City of Myrtle Beach (the “City”) entered into an Intergovernmental Agreement (the “Intergovernmental Agreement”) regarding the use of revenues received by the City from the rent of a 143 acre parcel of land located between Route 17 Business and the Atlantic Ocean known as the Seascape Property. The Intergovernmental Agreement provides, among other things, that beginning in 2005, all Seascape Property lease proceeds shall be automatically and unconditionally divided whereby the County will receive 75% of the proceeds and the City will receive 25%. The amounts received by the County under the Intergovernmental Agreement are defined in the Ordinances as “Non-System Amounts” and are pledged under the Ordinances to the payment of Operation and Maintenance Expenses.

The Seascape Properties include two parcels that are leased by the City to private operators under leases which provide, subject to annual minimums, for rentals payable based upon revenues from tenant operations. One parcel, consisting of 61.90 acres, is leased to Perry Issue Campground, operating as Lakewood Campground, which has been in existence for 51 years and is one of the largest campground resorts in the country. The Lakewood Campground, including the parcel leased from the City, consists of over 200 acres with one-half mile of beach front property. The Lakewood Campground has over 1,800 campsites along with the Villas at Lakewood. The second parcel, consisting of 42.68 acres, is leased to Ponderosa, Inc., operating as PirateLand Campground, which has operated for over 40 years. The PirateLand Campground, including the parcel leased from the City, consists of over 188 acres with several ocean front sites. The PirateLand Campground has over 800 campsites along with 88 rental villas and 700 permanent villas. Amenities offered in each of the camping resorts include 24 hour gated security, miniature golf, outdoor and indoor pools, trading post, two snack bars, laundromats and RV storage (long and short term). Each lease has an expiration date of February 15, 2020. No assurances can be made that the City will not amend or fail to renew either lease or that revenues under the Intergovernmental Agreement will continue at current levels.

Under the Intergovernmental Agreement, the County committed to oversee the construction and funding up to a maximum amount of \$6 million of the Harrelson Boulevard Improvements. With the issuance

of the Series 2010B Bonds and the completion of the Harrelson Boulevard Improvements, the County will have discharged its obligations under the Intergovernmental Agreement as they relate to the construction and funding of Harrelson Boulevard.

As set forth in the table below, the County has received the following revenues under the Intergovernmental Agreement in the Fiscal Years shown:

	Fiscal Year Ended June 30,				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Intergovernmental Revenues	\$1,308,841	\$1,449,069	\$1,727,659	\$1,725,761	\$2,028,157

### **Other Operating Revenue**

Other operating revenue includes hangar and building leases, land leases, late fees and TSA reimbursements. The other non-airline revenues increased from \$925,435 in Fiscal Year 2006 to \$1,096,166 in Fiscal Year 2010.

### **Key Factors Affecting Future Passenger Traffic**

Key factors that could affect future passenger traffic at the Airport include the growth in the economy of the Air Service Area, national and local economic conditions, price of air fares, lessening of competition among airlines as a result of mergers and acquisitions, the availability and price of aviation fuel, capacity of the national air traffic control system and the capacity of the Airport itself.

## **AIRPORT USE AGREEMENT**

### **General**

For purposes of determining airline fees and charges, the airlines servicing the Airport are divided among Signatory Airlines, Signatory Indirect Airlines and Non-Signatory Airlines (as such terms are hereinafter defined).

### **Signatory Airline Agreements**

The County has entered into separate, but substantially similar, Signatory Airline Contract and Use Agreements (the “Signatory Airline Agreements”) with Spirit Airlines, United Airlines, US Airways, Continental Airlines and Delta Air Lines (including their respective system carriers) (the “Signatory Airlines”). The Signatory Airline Agreements had an original term commencing July 1, 2002 and terminating June 30, 2007, but remain in effect on a month-to-month holdover basis. The holdover term under each Signatory Airline Agreement may be terminated by either the County or the Signatory Airline upon 30 days notice.

Under the Signatory Airline Agreements, each Signatory Airline receives the exclusive right to use “Exclusive Use Premises” which consist of a ticket office, baggage office, operations office and designated storage space. The Signatory Airlines also receive the nonexclusive right to use “Joint-Use Premises,” which include the airside walkway, aircraft parking positions, baggage claim areas, concourse gate positions, departure lounges and associated areas, loading bridges, passenger hold rooms and

passenger screening areas. The Signatory Airline Agreements provide for common-use gates and preferential-use gates and do not permit gates to be assigned on an exclusive-use basis. Subject to the rights of the County and other aircraft operators, each Signatory Airline is also granted a preferential right to use "Air Carrier Preferential Use Space and Facilities," which consist of ticket counters and baggage make-up.

Pursuant to the Signatory Airline Agreements, the landing fees and terminal rental rates at the Airport are calculated based on a compensatory rate-setting methodology. Each Signatory Airline pays landing fees on a monthly basis that, together with landing fees paid by all other Airlines and aircraft operations, and together with ancillary aircraft revenues, equal the annual airfield requirement. The landing fee rate is equal to the airfield requirement divided by the total landed weight for all planes landing at the Airport. The annual airfield requirement is calculated as equal to the direct and indirect maintenance and non-capital improvements and operating expenses allocable to the airfield plus the Airport capital expenses for the airfield. For Signatory Airline Agreement purposes, airport capital expenses comprise, generally, the costs incurred by the County for capital improvements to the Airport, including property acquisition, plus the annual expense resulting from debt service associated with the County's revenue bonds or other debt issued to fund capital improvements at the Airport, and the amortization of any of the County's funds invested in capital improvements to the Airport amortized over the useful life of the improvements with interest. Ancillary airfield revenues, for Signatory Airline Agreement purposes, are, generally, those revenues received by the County for use of the airfield other than fees from Signatory Airlines and other aircraft operators, excluding certain fuel sale revenue.

Each Signatory Airline pays terminal rentals on a monthly basis based upon the total area of the terminal allocable to each such Signatory Airline multiplied by the terminal rental rate. The terminal rental rate is equal to the adjusted terminal area net requirement divided by the total area of the terminal leased to the airlines. The terminal rental rate calculation combines terminal cost center-specific operating and maintenance expenses and capital expenses, less the terminal portion of the security response reimbursement. Rental rates are differentiated based on services provided to the rented location and are classified as: category I (basic, HVAC, and janitorial services), category II (basic and HVAC services only) and category III (basic services only). These differential rates are calculated by dividing the operating and maintenance requirement for basic services, janitorial services and HVAC service by the respective rentable space for which the service is provided. A capital square footage rate is also calculated by summing all terminal cost center-specific capital expenses and dividing it by the total square footage of airline rented space. This capital square footage rate is added to the rental rate of each of the three categories of space and multiplied by the respective airline rented space for each category to determine total terminal rent revenue required.

Pursuant to the Signatory Airline Agreements, in addition to landing fees and terminal rentals, the Signatory Airlines are required to pay other fees and charges, including among others, security charges.

As soon as possible after the close of each Fiscal Year the County recalculates the rates applicable to the fees and charges payable by each Signatory Airline for its use of the airfield and the terminal for the preceding Fiscal Year based upon actual costs and expenses (including capital expenditures) to the extent such actual costs and expenses can be determined. If such recalculation indicates that the Signatory Airline has underpaid such fees and charges, the amount of such underpayment shall be paid by the Signatory Airline in the next successive monthly payment of its monthly payments required hereunder as additional fees and charges. If such recalculation indicates that the Signatory Airline has overpaid such fees and charges such overpayment shall be credited to the Signatory Airline as a reduction of the fees and charges payable by the Signatory Airline hereunder in the next successive months after such recalculation until such credit is exhausted.

Each year the County prepares a proposed budget of Airport expenses and revenues and capital expenditures for the next Fiscal Year and shall calculate the rates and charges payable by Signatory Airlines resulting from the budget. The proposed budget and resulting rates and charges shall be submitted to the Signatory Airlines by April 1 of that year. The Airport Director and the Signatory Airlines will schedule and conduct a meeting to discuss such budget and rates and charges at a mutually agreeable time and location prior to May 1 of that year. The Airport Director will consider the comments of the Signatory Airlines and make adjustments to the budget and the resulting rates and charges if appropriate, prior to adoption of the budget by County. The Signatory Airline Agreements do not require the County to receive the approval of the Signatory Airlines for the construction of the Terminal Capacity Enhancement Program.

### **Signatory Indirect Airline Agreement**

The County is a party to an Indirect Air Carrier Contract and Airport Use Agreement dated as of July 1, 2007 (the “Signatory Indirect Airline Agreement” with Southern Sky Air & Tours d/b/a Myrtle Beach Direct Air & Tours (“MB Direct” or the “Signatory Indirect Airline”). The Signatory Indirect Airline Agreement is for a term ending at the earlier of June 30, 2012 and the date at which the Signatory Airline Agreements are no longer in effect.

The Signatory Indirect Airline Agreement is substantially similar to the Signatory Airline Agreement, and provides that the Signatory Indirect Airline shall pay the same fees, rentals and charges at the same rate established for the Signatory Airlines.

### **Non-Signatory Airlines**

Porter Airlines, Inc., Allegiant Air, LLC, American Eagle Airlines, Inc. and Mesa Airlines, Inc. (the “Non-Signatory Airlines”) serve the Airport pursuant to agreements with the County (the “Non-Signatory Agreements,” and, together with the Signatory Airline Agreements and the Signatory Indirect Airline Agreements, the “Airline Use Agreements”) and are not parties to Signatory Airline Agreements or Signatory Indirect Airline Agreements. The County assesses fees, rentals and charges to the Non-Signatory Airlines at 125% the fees, rentals and charges charged to the Signatory Airlines. The Non-signatory Airlines do not participate in the end of year fee reconciliation.

## **FINANCIAL FACTORS**

### **Five-Year Summary**

A summary of revenues and expenses of the Horry County, South Carolina Airport Enterprise Fund for the Fiscal Years ended June 30, 2006 through 2010, is provided in the following table. This summary has been derived from and should be read together with the applicable audited financial statements of the County Airport Enterprise Fund and related notes. The financial statements for the Fiscal Years ended June 30, 2010 and 2009 were audited by Scott and Company LLP, Columbia, South Carolina. A copy of the audited financial statements covering the Horry County Airport Enterprise Fund for the Fiscal Years ended June 30, 2010 and 2009, including the report thereto, is attached as APPENDIX A to this Official Statement.

	<u>Fiscal Year Ended June 30,</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Operating Revenues:</b>					
Concessions and rentals	\$ 5,367,324	\$ 5,905,315	\$ 6,267,135	\$ 5,971,117	\$5,950,119
Fuel sales – FBO	4,496,876	3,937,361	4,207,318	3,504,377	3,487,256
Airline terminal rents	3,876,068	4,059,647	3,971,709	4,085,932	4,087,447
Landing fees	1,930,984	2,135,513	2,271,303	876,108	551,637
Leases	524,197	602,332	683,170	682,329	773,097
Other airline services	814,204	903,927	880,871	774,930	591,997
Other	701,974	682,685	529,329	576,938	574,408
Federal revenue-TSA LEO reimbursement program	-	-	156,080	123,924	114,756
Security fees	<u>249,009</u>	<u>192,654</u>	<u>200,826</u>	<u>216,734</u>	<u>209,056</u>
Total Operating Revenues	17,960,636	18,419,434	19,167,741	16,812,389	16,339,773
Less signatory airline contract operating rebate & incentive fee waivers	<u>(74,718)</u>	<u>(378,336)</u>	<u>(754,539)</u>	<u>(365,240)</u>	<u>(432,574)</u>
Net operating revenues	<u>\$17,885,918</u>	<u>\$18,041,098</u>	<u>\$18,413,202</u>	<u>\$16,447,149</u>	<u>\$15,907,199</u>
<b>Operating Expenses:</b>					
Salaries and benefits	\$ 5,082,946	\$ 5,223,007	\$5,715,230	\$ 5,766,171	\$5,673,300
Depreciation and amortization	4,017,402	3,980,972	3,941,789	3,904,231	4,156,986
Fuel costs of sales	3,114,355	2,628,907	3,107,938	2,498,664	2,410,014
Outside and professional services	925,256	1,171,799	721,174	702,755	728,331
Utilities	775,908	752,860	740,198	803,004	878,660
Maintenance and supplies	553,198	562,794	593,682	544,844	567,294
Horry County administrative costs	330,900	185,503	333,588	234,343	341,342
Vehicle and equipment (non-capital) expense	260,472	259,171	295,238	317,358	357,647
Insurance	233,792	235,611	198,202	216,620	216,772
Dues, memberships and travel	174,937	152,478	187,928	159,529	144,603
Bad debt expense	50,073	-	-	-	-
Office supplies	<u>24,128</u>	<u>24,554</u>	<u>20,360</u>	<u>23,643</u>	<u>26,330</u>
Total Operating Expenses	<u>15,543,367</u>	<u>15,177,656</u>	<u>15,855,327</u>	<u>15,171,162</u>	<u>15,501,279</u>
Operating Income	<u>\$ 2,342,551</u>	<u>\$ 2,863,442</u>	<u>\$ 2,557,875</u>	<u>\$ 1,275,987</u>	<u>\$405,920</u>
<b>Non-Operating Revenue (Expenses):</b>					
Passenger Facility Charges	\$2,936,287	\$3,308,886	\$ 256,368	-	\$ 287,472
Contract Facility Charges	2,724,692	2,743,754	2,929,086	\$2,494,096	2,378,146
Interest Income	2,243,281	3,607,028	2,832,622	1,607,101	731,142
Intergovernmental revenues-City of Myrtle Beach	1,308,841	1,449,069	1,727,659	1,725,761	2,028,157
Redevelopment Authority grant revenues	124,219	131,250	71,250	236,179	563,821
Sale of assets	-	1,126,170	68,772	9,910	-
Reimbursement of funds to the FAA	-	(8,154,369)	-	-	-
Grant expenses	(124,219)	(269,671)	(315,982)	-	-
Legal settlement	-	-	-	1,029,961	-
Dues from Horry County Industrial Park Fund	-	-	-	500,000	-
Revenue from Utility Companies for ITAP	-	-	-	-	625,000
Loss on disposal of assets	-	-	-	-	(352,180)
Building Demolition Expense	-	-	-	-	(94,138)
Interest expense	<u>(1,613,960)</u>	<u>(1,514,360)</u>	<u>(1,607,144)</u>	<u>(619,445)</u>	<u>(592,283)</u>
Net non-operating revenue	<u>\$7,599,141</u>	<u>\$2,427,757</u>	<u>\$ 9,626,631</u>	<u>\$6,983,563</u>	<u>\$5,575,137</u>
Income before capital contributions & extraordinary item	\$9,941,692	\$ 5,291,199	\$8,520,506	\$8,259,550	\$5,981,057
<b>Extraordinary Item</b>	-	(16,453,255) <sup>(1)</sup>	-	-	-
<b>Capital Contributions</b>					
Federal grant revenue – capital projects	\$6,502,170	\$ 368,452	1,218,616	\$ 3,292,815	\$10,209,347
Private grant revenue – capital projects	100,000	-	-	-	-
Contributed capital-City of Myrtle Beach-land	-	-	-	-	73,699
State grant revenue – capital projects	-	-	<u>2,000,000</u>	-	<u>704,776</u>
Net change in net assets	\$16,543,862	\$(10,793,604) <sup>(1)</sup>	\$11,739,122	\$11,552,365	\$16,968,879
<b>Net Assets</b>					
Beginning of year	<u>\$122,205,744</u>	<u>\$138,749,606</u>	<u>\$127,956,002</u>	<u>\$139,695,124</u>	<u>\$151,247,489</u>
End of year	<u>\$138,749,606</u>	<u>\$127,956,002</u>	<u>\$139,695,124</u>	<u>\$151,247,489</u>	<u>\$168,216,368</u>

<sup>(1)</sup>In June 2007, Horry County Council passed resolution R-92-07 terminating the West Terminal project at the Airport. The amount that had been spent on the project prior to termination totaled \$16,453,255 and the County classified this amount as an extraordinary item in Fiscal Year 2007.

Note: These figures are taken from the supplementary schedules to the audited general purpose financial statements of the Horry County Airport Enterprise Fund for each of the year's indicated. The auditor's reports provide that the information in such supplementary schedules was subject to the auditing procedures applied in the audit of the general purpose financial statements and is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

## Management's Discussion and Analysis

Passenger activity at the Airport has fluctuated year over year, increasing from 712,282 enplanements in Fiscal Year 2000 to 765,156 in FY 2010. From Fiscal Year 2000 to Fiscal Year 2003, enplanements decreased at a compounded annual rate of 4.4 percent, as a result of the September 11, 2001 attacks and the resulting economic slowdown. Since 2003, enplanements have increased in each year with the exception of Fiscal Year 2006 and Fiscal Year 2009. Enplanements increased at a compound annual growth rate of 3.0 percent from Fiscal Year 2003 to Fiscal Year 2010.

The Department of Airports is accounted for as an enterprise fund of the County. The Airport designates expenses by the cost centers as defined in the Airport Use Agreement. The terminal and airfield cost centers include appropriate accounts to identify the operating and maintenance expenses and capital components necessary to calculate airline rates and charges. Terminal rental rates are established based on a compensatory methodology. The total costs allocable to the terminal cost center, net of security response reimbursements, is divided by total rentable square feet. Terminal rental rates are then calculated by category for the purpose of differentiating space by location and function. Landing fee rates for the airfield are established based on a cost center residual methodology, whereby total costs allocable to the airfield cost center, net of security response reimbursement and a general aviation fuel sales credit, are divided by total landed weight.

Revenue received by the County from the airlines serving the Airport has fluctuated over the past five years between \$6.0 million in Fiscal Year 2007 to \$4.4 million in Fiscal Year 2010. Airline revenues were impacted in Fiscal Year 2010 and Fiscal Year 2009 by \$1.6 million and \$1.2 million, respectively, due to a landing fee waiver program the County voluntarily implemented to assist the airlines with the rising fuel costs. Also, the County began an air service incentive program in Fiscal Year 2007 to encourage air carriers to establish service to new markets, expand air service during all months of the year and to partner with and assist the Grand Strand community's air service marketing efforts. Each year, as part of the budget process, the County reviews, and as it determines, modifies the incentive program to provide support of air service development within its budget targets. The landing fee waiver and air service incentive programs, in addition to the Airport's efforts to manage its operating budget, have assisted in the reduction of the airline cost per enplaned passenger from \$8.23 in Fiscal Year 2006 to \$5.77 in Fiscal Year 2010. Further, the air service incentive program was a vital component in efforts to secure recently expanded service at the Airport including Delta's increased frequency and aircraft size to Atlanta, Spirit's addition of nonstop seasonal service to Atlanta, Allegiant's new service to Grand Rapids and the initiation of American Eagle service in late 2010.

Concessions and rentals revenue (including rental cars, restaurant and gift/media/news shop, parking, advertising and taxis/limos) has fluctuated between \$5.3 million in Fiscal Year 2006 and \$6.2 million in Fiscal Year 2008. The concessions and rental revenues are generally based on the greater of a minimum guaranteed annual payment or a percentage of gross revenues of the tenant, which fluctuate with the number of enplaned passengers. This type of agreement allows for the potential increase of revenues when enplanements increase but also protects the Airport from a drastic reduction of revenues when enplanements decrease.

The County-owned and -operated FBO, along with the airline services department, also contribute to the Airport's revenues. FBO revenue is primarily derived from the County's sale of aviation fuel at the Airport along with revenues from other services provided by the FBO. The revenue from the FBO operation fluctuates with the volume of fuel sold and the price of aviation fuel. The revenues have ranged from \$4.8 million to \$3.8 million during the past five years. Airline services revenue is derived from fueling and ground handling services provided by the County, on as requested basis from the commercial airlines. Airline services revenue has declined from \$0.9 million in Fiscal Year 2007 to \$0.6 million in Fiscal Year 2010 due to

the reduction of airlines requesting ground handling services. The County is currently not providing ground handling services to any airline. Other non-airline revenue is hangar, building and land leases. The other non-airline revenue has increased from \$0.9 million in Fiscal Year 2006 to \$1.1 million in Fiscal Year 2010.

The Airport began collecting Contract Facility Charges in Fiscal Year ending June 30, 1997. On January 1, 2005, the Airport, at the request of the car rental companies, increased the Contract Facility Charge from \$2.00 per day to \$4.00 per day, in an effort to pay for the new facilities that will be built as part of the terminal expansion. Contract Facility Charge revenue generally fluctuates as the number of deplaned passengers changes.

The Airport began collecting PFCs in 1997 and continued collections until 2007. At the request of the County, the FAA terminated all existing PFC applications and ended the PFC program on August 1, 2007. On April 20, 2010, the FAA approved PFC Application Number 10-04-C-00-MYR in the amount of \$104,020,700 in support of terminal expansion program. The application allowed the Airport to begin collecting a \$4.50 PFC starting June 1, 2010.

The primary components of operating and maintenance expense at the Airport fall under the categories of personal services (salaries and benefits), utilities, maintenance, supplies, services, insurance, depreciation/amortization and other miscellaneous expenses. As set forth above, operating and maintenance expenses at the Airport have remained fairly stable over the past five years ranging from \$11.2 million to \$11.9 million. The fluctuations in the Airport's operation and maintenance expense are primarily attributable to changes in the passenger activity at the Airport and level of fuel sales at the FBO along with fuel prices.

For Fiscal Year ending June 30, 2010, salaries and benefits at the Airport represented 35.1 percent of total operating expenses. Salaries and benefits have fluctuated between \$5.0 million in Fiscal Year 2006 to a high of \$5.7 million in years 2008-2010. Most of the fluctuation can be attributed to the reduction in part-time personnel utilized by the FBO and airline services departments when there are reductions in the demand for those services. The number of full time positions at the Airport has remained constant at 110 for the past five years. Depreciation and amortization costs at the Airport for Fiscal Year ending June 30, 2010 were 29.8 percent of total Airport operating expenses.

## **Capital Projects**

As part of its long-term planning process with respect to the Airport, and in light of continuing high levels of growth in passenger and aircraft traffic at the Airport, the County continually examines its future capital facilities needs at the Airport. In this respect, the County is currently concluding an update to the Airport's master plan. The study has identified a 20-year program to accommodate future growth at the Airport. The updated Airport Layout Plan, which has been approved by the FAA, includes the construction of a Terminal Capacity Enhancement Program. The Terminal Capacity Enhancement Program has been identified as the next necessary major capital project.

In anticipation of the Terminal Capacity Enhancement Program, the County developed and completed several ancillary capital projects at the Airport from Fiscal Year 2008 through Fiscal Year 2010, which are presented in the table below. As shown, the County has spent approximately \$25 million on recent major capital projects. Other than a rental car parking deck, which the County has evaluated conceptual plans for and may proceed with in the future depending on availability of Customer Facility Charge revenue, and the estimated \$1.7 million renovation for reuse of an existing building at the Airport (expected to be funded by the County through a general fund transfer of \$600,000 subject to interfund reimbursement from Revenues and \$1.1 million in grants), the County does not plan to pursue any major capital projects other than those included in the Terminal Capacity Enhancement Program through Fiscal

Year 2016. Although no major capital projects are planned for the period described above, the County will continue to purchase machinery and equipment and perform capital maintenance at the Airport as needed. From Fiscal Year 2014 through Fiscal Year 2017, after the planned completion of the Terminal Capacity Enhancement Program, the County intends to invest in runway design and rehabilitation, which is estimated to cost approximately \$15.8 million and is planned to be funded with AIP entitlements and AIP discretionary funding pending a Letter of Intent from the FAA.

Recent Major Capital Projects  
(Dollars in Thousands)

<u>Project</u>	<u>Status</u>	<u>Project Cost</u>
New General Aviation Terminal	Completed (May 2010)	\$ 4,500
New ARFF Facility <sup>(1)</sup>	Ongoing (95% FAA Funded)	4,200
South Ramp Expansion Project	Completed (July 2010)	3,500
Airfield Drainage & ARFF Access Roads	Completed (September 2010)	2,900
Taxiway B2 Project	Completed (August 2010)	2,800
Commercial Ramp Rehabilitation Project	Phase 1 Completion in October 2010	2,600
Security Fencing Improvements	Completed (April 2010)	1,100
Security Improvement Project	Completed (March 2010)	1,000
Acquisition of 1,500 Gallon ARFF Vehicle	Completed (January 2010)	900
General Aviation Ramp Improvement	Completed (August 2010)	800
Airfield Re-Designation & Signage	Completed (July 2010)	<u>700</u>
Total Projects		\$25,000

<sup>(1)</sup> "ARFF" means Aircraft Rescue Fire Fighting Facility

Source: Horry County Department of Airports (September 2010)

Prepared by: Ricondo & Associates, Inc. (September 2010)

### Outstanding Debt

As of the date of issuance of the Series 2010 Bonds, the County will have no outstanding indebtedness payable from the revenues of the Airport other than the Series 2010 Bonds. The County's combined debt service on the Series 2010 Bonds is set forth in "PLAN OF FINANCING – Debt Service Requirements" herein.

### Historical Debt Service Coverage

The following table shows the historical net revenues and expenditures for the Airport for the Fiscal Years ended June 30, 2006 through 2010. For purposes of this summary, Net Revenues and Annual Debt Service on all bonds payable from revenues of the Airport have been determined in accordance with the provisions of the Ordinances. Debt service coverage is based upon actual debt service on applicable revenue debt.

**HORRY COUNTY, SOUTH CAROLINA AIRPORT REVENUE BONDS  
HISTORICAL FISCAL YEAR DEBT SERVICE COVERAGE CALCULATION**

<u>Fiscal Year Ending June 30</u>	<u>Net Revenues<sup>(1)</sup></u>	<u>Annual Debt Service</u>	<u>Debt Service Coverage Ratio</u>
2006	\$11,407,080	\$2,241,793	5.09x
2007	13,516,656	2,269,830	5.95x
2008	11,650,355	1,336,180	8.72x
2009	8,460,650	1,121,508	7.54x
2010	7,603,621	1,125,666	6.75x

<sup>(1)</sup>Includes Other Available Funds in an amount equal to 25% of annual debt service in each of the Fiscal Years shown.

**Airport Cash and Reserves**

The Airport has adopted a policy to maintain unrestricted cash, investments and reserves (excluding any Debt Service Reserve Funds) equal to at least the sum of the Operating and Maintenance Reserve Requirement, the Depreciation and Contingent Fund and additional funds equal to at least 100% of its current budgeted Operating Expenses (excluding Depreciation). The Airport further has adopted a practice of maintaining cash reserves to fund expected future liabilities, including funds required for capital investment, signatory airline rebates and other obligations. The following table shows the unrestricted cash, investments and reserves of the County's Airport Enterprise Fund as of the end of the Fiscal Years shown.

	Fiscal Year Ended June 30, (\$'s in millions)				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Unrestricted Cash, Investments & Reserves	\$38.6	\$42.6	\$43.9	\$47.6	\$45.1

Source: Horry County Department of Airports

**SUMMARY OF REPORT OF THE AIRPORT CONSULTANT**

**General**

The County has retained Ricondo & Associates, Inc., which is recognized as an expert in its field, to prepare a report in connection with the Series 2010 Bonds. The Report of the Airport Consultant is included as Appendix B hereto, with the Airport Consultant's consent. The information regarding the analyses and conclusions contained in the Report of the Airport Consultant is included in the Official Statement in reliance upon the expertise of the Airport Consultant.

The financial forecasts in the Report of the Airport Consultant are based on certain information and assumptions that were provided by, or reviewed and agreed to by, the Airport's management. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the forecasts. The Report of the Airport Consultant has not been revised to reflect the final terms of the Series 2010 Bonds.

**The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Report of the Airport Consultant will occur. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably,**

**some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material.** See also “CERTAIN INVESTMENT CONSIDERATIONS—Report of the Airport Consultant.”

### **Projected Net Revenues and Debt Service Coverage**

The following table sets forth the projected Net Revenues, Annual Debt Service for the Series 2010 Bonds and the coverage of such Debt Service based upon the Net Revenues, as forecast by the Airport Consultant, for the Fiscal Years 2011 through 2016. The Report of the Airport Consultant has not been revised to reflect the final terms of the Series 2010 Bonds.

The forecasted financial information in the following table was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forecasted financial information, but, in the view of the Airport’s management, was prepared on a reasonable basis, to reflect the best currently available estimates and judgments and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the Airport. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information.

Neither the Airport’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted financial information contained herein, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted financial information.

The assumptions and estimates underlying the forecasted financial information are inherently uncertain and, though considered reasonable by the management of the Airport as of the date hereof, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forecasted financial information, including, among others, the risks and uncertainties described under “CERTAIN INVESTMENT CONSIDERATIONS” below. Accordingly, there can be no assurance that the forecasted results are indicative of the future performance of the Airport or that actual results will not be materially higher or lower than those contained in the forecasted financial information. Inclusion of the forecasted financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

<u>Fiscal Year</u>	<u>Net Revenues (000's)</u>	<u>Available PFC Revenue (000's)</u>	<u>Other Available Funds (000's)<sup>(1)</sup></u>	<u>Total Pledged Revenue (000's)</u>	<u>Annual Debt Service</u>	<u>Total Debt Service Coverage</u>
2011	\$7,972	\$ 0	\$ 0	\$7,972	\$ 218	36.56x
2012	6,291	0	57	6,348	229	27.72x
2013	4,772	1,432	444	6,648	1,777	3.74x
2014	4,711	3,492	995	9,198	3,981	2.31x
2015	4,623	3,495	997	9,115	3,986	2.29x
2016	4,483	3,495	997	8,975	3,986	2.25x

<sup>(1)</sup>The County anticipates budgeting these amounts as Other Available Funds in the Fiscal Years shown.

### **CERTAIN INVESTMENT CONSIDERATIONS**

*Prospective purchasers of the Series 2010 Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Series 2010 Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Series 2010 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

#### **Series 2010 Bonds Are Special Obligations**

The Series 2010 Bonds are special obligations of the County, payable solely from and secured by a pledge of Revenues derived by the County from the operations of the Airport which remain after the payment of Operation and Maintenance Expenses and certain limited funds and accounts held by the Trustee under the Ordinances, and a statutory lien upon the Airport; provided that Available PFC Revenues are pledged only to PFC Bonds. None of the properties of the Airport are subject to any mortgage or other lien, other than the statutory lien upon the Airport, for the benefit of the owners of the Series 2010 Bonds, and neither the full faith and credit nor the taxing power of the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2010 Bonds.

#### **Factors Affecting the Airline Industry**

##### *General*

Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Revenues available for payment of Operation and Maintenance Expenses and the Series 2010 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and Airports; capacity of the Airport; and business travel substitutes, including

teleconferencing, videoconferencing and web-casting. If aviation and enplaned passenger traffic at the Airport do not meet forecast levels, a corresponding reduction could occur in forecasted Revenues.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the events of September 11, 2001.

Growing competition from low-cost, low-fare carriers (such as Southwest) has forced legacy carriers (such as United) to implement route rationalization, including route transfers to regional partners and the reduction, or elimination, of service to unprofitable markets. Airlines have reduced schedules, simplified fleets, deferred new aircraft delivery, implemented pay cuts, and reduced workforces. In addition, legacy carriers have shown increasing flexibility in adjusting fares to match discount fares offered by low-cost carriers.

Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, costs of aviation fuel, international conflicts and threats of terrorism and structural changes in the travel market. See also “—Aviation Security Concerns” below for additional discussion on the costs of security.

#### *Regional and National Economic Conditions*

Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. In addition, traffic at the Airport will depend in part on the economic conditions in the State and local service area. The recession that began in late 2007, combined with reduced discretionary income, contributed to reduced airline travel demand and reductions by the airlines in available seats in 2008 and 2009. The continuing weakness in the national, state and/or local economy may have an adverse effect on the air transportation industry, and on the Airport.

#### *Cost of Aviation Fuel*

Airline earnings are significantly affected by changes in the price of aviation fuel. According to the Air Transport Association, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier’s operating economics. There has been no shortage of aviation fuel since the “fuel crisis” of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to the Air Transport Association, every one-cent increase in the price per gallon of jet fuel increases annual airline operating expenses by approximately \$175 to \$200 million. The price of aviation fuel rose to an all-time high of almost \$4.00 per gallon in July 2008. The average price of aviation fuel averaged approximately \$2.33 per gallon in May 2010. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

### *International Conflict and the Threat of Terrorism*

The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The County cannot predict the likelihood of future incidents similar to the events of September 11, 2011, the likelihood of future air transportation disruptions or the impact on the County or the airlines operating at the Airport from such incidents or disruptions.

### *Structural Changes in the Travel Market*

Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Consumers have come to expect low fares. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the Internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing.

### **Bankruptcy by Airlines and Concessionaires**

A bankruptcy of an airline or of another tenant or tenants operating from the Airport could result in delays or reductions in payments on the Series 2010 Bonds.

In the last several years, US Airways, United Airlines, Delta Air Lines, Northwest Airlines and Frontier Airlines have emerged from bankruptcy. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at the Airport could have a material adverse effect on operations of the Airport, Revenues, and the cost to the other airlines operating at the Airport.

In the event of a bankruptcy by an airline or other tenant operating from the Airport, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the airline or other tenant to the County or any action to enforce any obligation of the airline or other tenant to the County. With the authorization of the bankruptcy court, the airline or other tenant may be able to repudiate some or all of its agreements with the County and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation could also excuse the other parties to such agreements from performing any of their obligations. The airline or other tenant may be able, without the consent and over the objection of the County, the Trustee and the holders of the Series 2010 Bonds, to alter the terms, including the payment terms, of its agreements with the County, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the airline or other tenant may be able to assign its rights and obligations under any of its agreements with the County to another entity, despite any contractual provisions prohibiting such an assignment. The Trustee and the holders of the Series 2010 Bonds may be required to return to the airline or other tenant as preferential transfers any money that was used to make payments on the Series 2010 Bonds and that was received by the County or the Trustee from the airline or other tenant

during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the County under any lease with the airline or agreement with another tenant may be subject to limitations.

The airlines serving the Airport are also required to pay to the County Passenger Facility Charges collected from enplaned passengers at the Airport and Available PFC Revenues are pledged to the payment of the Series 2010A Bonds. The Passenger Facility Charge Act provides that Passenger Facility Charges collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the County) imposing the Passenger Facility Charges, except for any handling or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for Passenger Facility Charge collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle Passenger Facility Charge collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the County cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at the Airport. The Passenger Facility Charge Act requires an airline in bankruptcy protection to segregate Passenger Facility Charge collections from all of its other revenues. It is possible that the County could be held to be an unsecured creditor with respect to unremitted Passenger Facility Charges held by an airline that has filed for bankruptcy protection. Additionally, the County cannot predict whether an airline operating at the Airport that files for bankruptcy protection would have properly accounted for the Passenger Facility Charges owed to the County or whether the bankruptcy estate would have sufficient moneys to pay the County in full for the Passenger Facility Charges owed by such airline.

There may be delays in payments of principal of and interest on the Series 2010 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of an airline or other tenant that could result in delays or reductions in payments on the Series 2010 Bonds. Regardless of any specific adverse determinations in an airline or other tenant bankruptcy proceeding, the fact of an airline or other tenant bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2010 Bonds.

### **Major Carrier Dependence**

In Fiscal Year 2010, Spirit and US Airways accounted for approximately 64.1% of the total enplaned passengers at the Airport. Where an airport has a sizable market share accounted for by a single airline, there is risk associated with the potential for that airline to reduce or discontinue service.

### **Aviation Security Concerns**

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and continue to occur in the Middle East), terrorist attacks and increased threat levels declared by the Department of Homeland Security may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Because of the implementation of the Congressional mandate, effective January 1, 2003, for the screening of all checked baggage for explosives, as well as the impact on airport operations of procedures mandated under “Level Yellow” (elevated), “Level Orange” (high) and “Level Red” (severe) national threat levels declared by the Department of Homeland Security under the Homeland Security Advisory

System, there is the potential for significantly increased inconvenience and delays at many airports. Since its inception the threat level has never been below Level Yellow nor above Level Orange (except that between August 10, 2006 and August 13, 2006 the threat level was raised to Level Red for flights originating in the United Kingdom and bound for the United States). Historically, only minor delays have been experienced at the Airport as a result of the security procedures; however, this may change as a result of increased passenger traffic or other factors such as requirements for additional forms of screening or reductions of the TSA workforce.

In spite of the increased security measures, there is no assurance that there will not be additional acts of terrorism, such as the attempted December 25, 2009 terror plot, resulting in further disruption to the North American air traffic system, increased passenger and flight delays, and reductions in passenger traffic at the Airport and/or Revenues.

### **Worldwide Health Concerns**

In fall 2009, the World Health Organization and the U.S. Department of Health and Human Services (through the Secretary of the Department of Homeland Security), declared public health emergencies as the result of outbreaks of a serious strain of H1N1 influenza or flu. This strain apparently is the first to be communicable from human-to-human, and thus poses a potential risk of an international influenza pandemic. This flu strain has caused deaths to many whom were healthy young adults. Travel restrictions, as well as other public health measures, may be imposed to limit the spread of this flu. In spring 2003, there was a similar outbreak of a serious strain of bird flu in Asia and Canada called “Severe Acute Respiratory Syndrome” or “SARS.” Future pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport and a corresponding decline in Revenues. The County is unable to predict how serious this situation may become, what effect it may have on air travel to and from the Airport, and whether any such effects will be material.

### **Regulations and Restrictions Affecting the Airport**

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the federal acts authorizing the imposition, collection and use of Passenger Facility Charges and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the events of September 11, 2001, the Airport also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Airport management.

It is not possible to predict whether future restrictions or limitations on operations at the Airport will be imposed, whether future legislation or regulations will affect anticipated federal funding or Passenger Facility Charge collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the County, or whether such restrictions or legislation or regulations would adversely affect Revenues or Operation and Maintenance Expenses.

### **Federal Law Affecting Airport Rates and Charges**

In general, federal aviation law requires that airport fees charged to airlines and other aeronautical users be reasonable and that in order to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local Airport, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. The County is not aware of any formal dispute involving the Airport over any

existing rates and charges. The County believes that the rates and charges methodology it utilizes and the rates and charges it imposes upon air carriers, foreign air carriers and other aeronautical users are reasonable and consistent with applicable law. However, there can be no assurance that a complaint will not be brought against the County in the near-term or in the future, challenging such methodology and the rates and charges established by the County, and if a judgment is rendered against the County, there can be no assurance that rates and charges paid by aeronautical users of the Airport will not be reduced. An adverse determination in a future challenge could limit the ability of the County to charge airlines rates sufficient to meet the rate covenant in the Ordinances and could have a material adverse impact on the receipt of Revenues.

Additionally, the policies of the FAA prohibit an airport from making direct or indirect payments that exceed the fair and reasonable value of the respective services and facilities provided to the airport. If the County violates the policies of the FAA, the FAA may withhold payment of AIP grants or rescind the County's ability to collect Passenger Facility Charges until the County corrects such violation.

### **Restrictions on Airport Facilities and Operations**

There are restrictions on the County's ability to expand and develop facilities at the Airport. Current conditions at the Airport make the addition of a runway difficult. Obstacles to runway expansion include major land acquisition requirements, zoning and land use restrictions, extensive infrastructure impacts, increased noise impacts and community resistance. These restrictions on facilities and operations may limit the number of passengers and flights which the Airport can accommodate in the future which, in turn, may limit the amount of Revenues the Airport can generate.

### **Factors Affecting the 2010 Project**

As described herein, the County is undertaking a significant capital improvement program at the Airport. The County has entered into and will enter into agreements for the construction of such capital improvements. The County anticipates that such contracts will be subject to adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The estimated costs of, and the projected schedule for, the 2010 Project are subject to a number of uncertainties. The ability of the County to complete the 2010 Project may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) changes to the scope of the projects, including changes to federal security regulations; (d) delays in contract awards; (e) material and/or labor shortages; (f) unforeseen site conditions; (g) adverse weather conditions and other force majeure events; (h) contractor defaults; (i) labor disputes; (j) unanticipated levels of inflation; and (k) environmental issues. No assurance can be made that the existing projects in the 2010 Project will not cost more than the current budget for these projects. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs per enplaned passenger to the airlines, thereby making the Airport less economically competitive. There can be no assurances that significant increases in costs over the amounts projected by the County will not materially adversely affect the financial condition or operations of the Airport.

### **Unavailability of, or Delay in, Anticipated Funding Sources**

As described herein, the County anticipates that funding for the Series 2010 Project will be provided through a portion of the proceeds of the Series 2010 Bonds and Additional Bonds to be issued in the future, internally generated cash of the County, Passenger Facility Charges, federal grants and other sources. See "APPENDIX B—REPORT OF THE AIRPORT CONSULTANT" for a description of the

financing plan for the 2010 Project. In the event that any of such sources are unavailable for any reason, including unavailability of internally generated cash flow; reduction in the amount of Passenger Facility Charges or federal grants available to the County; non-appropriation of, or delay in payment of, federal grants; the inability of the County to issue or sell Additional Bonds or any other reason, the completion of the 2010 Project could be substantially delayed and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the financial condition or operations of the Airport and the County.

### **Availability of Passenger Facility Charges**

The County expects to use approximately \$18 million of Passenger Facility Charges on a pay-as-you-go basis to finance a portion of the costs of the Terminal Capacity Enhancement Program and approximately \$2.9 million of Passenger Facility Charges each Fiscal Year to pay debt service on Passenger Facility Charge Bonds issued to finance a portion of the costs of the Terminal Capacity Enhancement Program commencing January 1, 2012. See “SOURCES AND USES OF FUNDS.”

The amount of Passenger Facility Charges received by the County in future years will vary based upon the actual number of Passenger Facility Charge-eligible passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. See “—Factors Affecting the Airline Industry” above. Additionally, the FAA may terminate the County’s ability to impose the Passenger Facility Charge, subject to informal and formal procedural safeguards, if (a) Passenger Facility Charge revenues are not being used for approved projects in accordance with the FAA’s approval, the Passenger Facility Charge Acts or the regulations promulgated thereunder; or (b) the County otherwise violates the Passenger Facility Charge Acts or regulations. Its authority to impose the Passenger Facility Charge may also be terminated if the County violates certain provisions of ANCA and its implementing regulations. No assurance can be given that the County’s ability to impose the Passenger Facility Charge will not be terminated by Congress or the FAA, that the Passenger Facility Charge program will not be modified or restricted by Congress or the FAA so as to reduce Passenger Facility Charge revenues available to the County or that the County will not seek to decrease the amount of the Passenger Facility Charge to be collected, provided such decrease does not violate the County’s covenant in the Passenger Facility Charge Resolution.

A shortfall in Passenger Facility Charge revenues, as a result of the FAA or Congress reducing or terminating the County’s ability to collect Passenger Facility Charges or as a result of any other actions, may cause the County to increase rates and charges at the Airport to meet the debt service requirements on the Bonds that the County plans to pay from Passenger Facility Charges, and/or require the County to identify other sources of funding to pay for the costs of the Terminal Capacity Enhancement Program currently expected to be paid with Passenger Facility Charge revenues, including issuing Additional Bonds.

### **Report of the Airport Consultant**

The Report of the Airport Consultant included as APPENDIX B to this Official Statement contains certain assumptions and forecasts. The Report of the Airport Consultant should be read in its entirety for a discussion of historical and forecasted results of enplanements, operations and debt service coverage and the assumptions and rationale underlying the forecasts. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the projections contained in the Report of the Airport Consultant or that may be contained in any future certificate of the County or a consultant are not necessarily indicative of future performance, and neither the Airport Consultant (hereinafter defined) nor the County assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the County are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2010 Bonds are cautioned not to place undue reliance upon the Report of the Airport Consultant or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues, Passenger Facility Charges and federal grants may be materially less than expected and consequently, the ability of the County to make timely payment of the principal of and interest on the Series 2010 Bonds may be materially adversely affected.

Neither the County's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast.

### **Climate Change Issues**

Climate change concerns are leading to new laws and regulations at the federal and state levels that could have a material adverse effect on airlines operating at the Airport and could also affect ground operations at airports.

The U.S. Environmental Protection Agency ("EPA") very recently has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On April 24, 2009, EPA published a proposed "endangerment and cause or contribute finding" under the federal Clean Air Act. In the proposed finding, EPA declared that the weight of scientific evidence "requires" a finding that it is very likely that the six identified GHGs—carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride—cause global warming, and that global warming endangers public health and welfare. The proposed rule also finds that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. If the proposed rule becomes final, EPA would be required to regulate emissions of certain GHGs from motor vehicles. The CAA regulates aircraft emissions under provisions that are parallel to the requirements for motor vehicle emissions. Accordingly, EPA may elect or be forced by the courts to regulate aircraft emissions as a result of this endangerment finding.

Regulation by the EPA can be initiated by private parties or by governmental entities other than EPA. In 2007, several states, including California, petitioned EPA to regulate GHGs from aircraft. On July 30, 2008, EPA issued an Advanced Notice of Proposed Rulemaking ("ANPR") relating to GHG emissions and climate change. Part of the ANPR requested comments on whether and how to regulate GHG emissions from aircraft. While EPA has not yet taken any action to regulate GHG emissions from aircraft, the request for comments and proposed rule on motor vehicles may eventually result in such regulation.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states and have been proposed on the federal level. A recently proposed

federal bill, the American Clean Energy and Security Act of 2009, would, if passed, amend the CAA to require regulation of aircraft GHG emissions, require a reduction in emissions from transportation fuels including jet fuel, and generally would cap GHG emissions.

The County is unable to predict what federal and/or state laws and regulations with respect to GHG emissions will be adopted, or what effects such laws and regulations will have on airlines serving the Airport or on the Airport operations. The effects, however, could be material.

### **Ability To Meet Rate Covenant**

As discussed in “SECURITY FOR THE BONDS—Rate Covenant,” the County has covenanted in the Ordinances to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport and for services rendered in connection therewith, so that during each Fiscal Year the rate covenant set forth in the Ordinances is met. In addition to Net Revenues, the County expects to use approximately \$1.1 million of Passenger Facility Charges in Fiscal Year 2013, and approximately \$2.8 million of Passenger Facility Charges each Fiscal Year between Fiscal Years 2014 and 2040, to pay a portion (between approximately 64% in Fiscal Year 2013 and 70% in Fiscal Years 2014 through 2040) of the debt service on the Series 2010 Bonds. The County also expects to receive Federal Direct Payments with respect to the Series 2010B Bonds in an amount equal to approximately 45% of the interest paid on the Series 2010B Bonds in Fiscal Years 2011 through 2040. Available Passenger Facility Charge Revenues are included in Revenues for rate covenant purposes in an amount not to exceed 125% of the amounts required to be deposited into Debt Service Accounts for such year on the Outstanding PFC Bonds, or such lesser amount as may be required under the PFC Act, PFC Regulations and PFC Approvals as in effect from time to time, and to the extent that Federal Direct Payments have been irrevocably committed or are otherwise used to pay principal of and/or interest on Bonds, the principal and/or interest on such Bonds may be excluded from the calculation of debt service on the Bonds; thus decreasing debt service and increasing debt service coverage for purposes of the rate covenant under the Ordinances.

If Net Revenues were to fall below the levels necessary to meet the rate covenant set forth in the Ordinances, the Ordinances provide for procedures under which the County would retain and direct a Consultant to make recommendations as to the revision of the County’s business operations and its schedule of rentals, rates, fees and charges for the use of the Airport and for services rendered by the County in connection with the Airport, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the County is required to take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to meet the rate covenant. Increasing the schedule of rentals, rates, fees and charges for the use of the Airport and for services rendered by the County in connection with the Airport is subject to contractual, statutory and regulatory restrictions. Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of the Airport could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport.

The Report of the Airport Consultant bases the forecasts of Net Revenues, debt service coverage and airline costs per enplaned passenger on the assumption that the airlines will pay the rates and charges established by the County, and while the County believes that its rate-making methodologies, including its allocation of costs for purposes of setting rates and charges, are reasonable, no assurance can be given that challenges will not be made to the rates and charges established by the County or its method of allocating particular costs.

## **Enforceability of Remedies; Limitation on Remedies**

There is no right to acceleration of payments to bondholders under the Ordinances, and bondholders may be required to make a separate claim for each semiannual payment not paid. Further, the remedies available to the owners of the Series 2010 Bonds upon an Event of Default under the Ordinances are in many respects dependent upon regulatory and judicial actions that are in many instances subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Ordinances may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Series 2010 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2010 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

## **Considerations Regarding Series 2010B Bonds (Recovery Zone Economic Development Bonds)**

The County intends to irrevocably elect to treat the Series 2010B Bonds as "Recovery Zone Economic Development Bonds" for purposes of the Code. Subject to the County's compliance with certain requirements under the Code, the County expects to receive Federal Direct Payments in amounts equal to 45% of the interest paid on the Series 2010B Bonds. Any Federal Direct Payments relating to the Series 2010B Bonds received by the County will be irrevocably committed to the payment of Bonds but will not constitute Revenues. Such Federal Direct Payments do not constitute a full faith and credit guaranty of the U.S. but are required to be paid by the U.S. Treasury under the Code.

The County's receipt of Federal Direct Payments is subject to certain requirements including the filing of a form with the Internal Revenue Service prior to each Interest Payment Date. The County makes no assurance regarding future legislative or policy changes or the netting of other tax liabilities against Federal Direct Payments by the U.S. Treasury which may affect the amount or receipt of the Federal Direct Payments. If the Federal Direct Payments are reduced or eliminated as a result of a change in the law, the County may elect to redeem the Series 2010B Bonds. See "THE SERIES 2010 BONDS—Redemption of Series 2010B Bonds." No holder of a Series 2010B Bond will be entitled to a tax credit with respect to the Series 2010B Bonds. See "TAX MATTERS."

## **Income Taxation Risk Upon Defeasance of the Series 2010B Bonds**

In the event the County were to defease all or a portion of the Series 2010B Bonds, for federal income tax purposes, the Series 2010B Bonds that are the subject of such a defeasance may be deemed to be retired and "reissued" as a result of the defeasance. In such an event, a Bondholder who owns such a Series 2010B Bond would recognize gain or loss on the Series 2010B Bond at the time of defeasance. Bondholders who own Series 2010B Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the Series 2010B Bonds. See "TAX MATTERS—Series 2010B Bonds (Federally Taxable)—Disposition and Defeasance of Series 2010B Bonds."

## **LEGALITY**

Certain legal matters incident to the legality of the Series 2010 Bonds, including their authorization, issuance and sale by the County, are subject to the approval of McNair Law Firm, P.A., Columbia, South Carolina, Bond Counsel. A form of the approving opinion of Bond Counsel is included in this Official Statement as APPENDIX D. McNair Law Firm, P.A. is also serving as Disclosure Counsel to the County in connection with the offering of the Series 2010 Bonds. Certain legal matters will be passed upon for the

Underwriter's by Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina. Certain legal matters will be passed upon for the County by Arrigo Carotti, Esquire, Conway, South Carolina, its County Attorney.

### **AIRLINE INFORMATION**

Certain of the airlines or their parent corporations operating at the Airport are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the Securities and Exchange Commission ("SEC") at 100 F Street, NE, Room 1580, Washington, DC 20549, and at the SEC's regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 2511 and 233 Broadway, New York, New York 10279. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Aviation Information Management, Data Requirements and Public Reports Division, at Room 4125, 400 7th Street, SW, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

*The County undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed in the preceding paragraphs, including, but not limited to, updates of such information on the SEC's website or links to other Internet sites accessed through the SEC's website.*

### **LITIGATION**

The County experiences routine litigation and claims incidental to the conduct of its affairs. As of the date of issuance and delivery of the Series 2010 Bonds, counsel for the County will deliver its opinion to the effect that there is no litigation pending or threatened contesting the creation, organization, or existence of the County or the Airport or that seeks to restrain or enjoin the issuance or delivery of the Series 2010 Bonds or the proceedings or authority under which they are to be issued or delivered or which in any manner questions the authority of the County to pledge the Revenues of the Airport to the payment of the Series 2010 Bonds and the interest thereon. The opinion of counsel for the County will also state that there is no litigation pending or threatened, to its knowledge, which would have a material adverse effect upon the County's or the Airport's financial condition.

### **RATINGS**

Moody's and Standard & Poor's have assigned the Series 2010 Bonds underlying and unenhanced ratings of "A3" and "A-," respectively. Moody's and Standard & Poor's are expected to assign the Insured Series 2010A Bonds ratings of "Aa3" and "AA+," respectively, on the understanding that the Policy insuring

the payment of principal and interest on the Insured Series 2010A Bonds when due will be issued by AGM concurrently with the delivery of the Insured Series 2010A Bonds. See "BOND INSURANCE." An explanation of the significance of such ratings may be obtained only from the rating agencies furnishing the same. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in the judgment of such agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2010 Bonds.

## **UNDERWRITING**

The Series 2010A Bonds and Series 2010B Bonds are being purchased for reoffering by Morgan Stanley & Co. Incorporated, on behalf of itself and as representative of the several underwriters shown on the front cover page hereof (the "Underwriters"), at a purchase price of \$60,011,361.86, which represents the principal amount of the Series 2010 Bonds, less net original issue discount of \$211,084.85 and less an underwriters' discount of \$367,553.29. The Bond Purchase Agreement by and between the Underwriters and the County provides that the Underwriters will purchase all of the Series 2010 Bonds if any Series 2010 Bonds are purchased.

The Underwriters may offer and sell the Series 2010 Bonds to certain dealers (including depositing the Series 2010 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., each an underwriter of the Series 2010 Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of the Series 2010 Bonds.

Piper Jaffray & Co., an underwriter of the Series 2010 Bonds, has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc., for the distribution of certain municipal securities offerings, including the Series 2010 Bonds, allocated to Piper Jaffray and Co. at the original offering prices. Under the Distribution Agreement, if applicable to the Series 2010 Bonds, Piper Jaffray & Co. will share with Advisors Asset Management, Inc. a portion of the fee or commission, exclusive of management fees, paid to Piper Jaffray & Co.

## **FINANCIAL ADVISOR**

The County has retained the services of Frasca & Associates, L.L.C., New York, New York, as Financial Advisor in connection with the Series 2010 Bonds. Frasca & Associates is not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## INDEPENDENT AUDITORS

The County's financial statements with respect to the Department of Airports Enterprise Fund (which, except for certain supplementary schedules therein, include all County airports, including the Airport) as of and for the Fiscal Years ended June 30, 2010 and 2009, are included in APPENDIX A and have been audited by Scott and Company LLP, whose report thereon is included therein.

## TAX MATTERS

### Opinion of Bond Counsel

Certain legal matters with respect to the issuance of the Series 2010 Bonds are subject to the approval of McNair Law Firm, P.A., Columbia, South Carolina ("Bond Counsel"), whose approving opinion will be available at the time of issuance of the Series 2010 Bonds. In the opinion of Bond Counsel, based upon existing statutes, regulations, rulings and court decisions, and subject to the qualifications set forth under "Internal Revenue Code of 1986" below, the interest on the Series 2010A Bonds is excludable from gross income for federal income tax purposes except as to a Series 2010A Bond during any period while the 2010A Bond is held by a "substantial user" of the facilities financed by such Series of Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder. The Series 2010B Bonds are being issued as obligations, the interest on which is not exempt from taxation as gross income under section 103 of the Code. The proposed form of approving opinion of Bond Counsel appears as Appendix D to this Official Statement. A signed copy of that opinion, dated the date of original delivery of the Series 2010 Bonds, will be delivered to the purchaser of the Series 2010 Bonds at the time of original delivery.

### The Series 2010A Bonds

#### *Internal Revenue Code of 1986*

The Code includes provisions that relate to tax-exempt obligations, such as the Series 2010A Bonds, including, among other things, permitted uses and investment of the proceeds of the Series 2010A Bonds, the rebate of certain arbitrage earnings from the investment of such proceeds to the United States Treasury and the use of property financed with the proceeds of the Series 2010A Bonds. Noncompliance with these requirements may result in interest on the Series 2010A Bonds being subject to federal income taxation retroactive to their date of issuance. The County has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the Series 2010A Bonds from gross income for federal tax purposes. Failure of the County to comply with these covenants could cause the interest on the Series 2010A Bonds to be taxable retroactively to their date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income. Interest on the Series 2010A Bonds is not an item of tax preference for purposes of the individual and corporate alternative minimum tax and will not be included in the computation of adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations.

Prospective purchasers of the Series 2010 Bonds should consult their tax advisors with respect to collateral tax consequences of ownership of 2010 Bonds, such as the calculation of the foreign branch profits tax liability, the tax on passive income of S corporations, the inclusion of Social Security or other

retirement payments in taxable income or the portion of interest expense of a financial institution which is allocable to tax-exempt interest.

Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or event occurring (or not occurring) after the date of issuance of the Series 2010 Bonds may affect the tax status of interest on the Series 2010 Bonds. In rendering its opinion, Bond Counsel will rely upon certificates of the County with respect to certain material facts solely within the County's knowledge relating to the application of the proceeds of the Series 2010 Bonds.

#### *Original Issue Discount*

Certain of the Series 2010A Bonds have been sold at initial public offering prices which are less than the principal amounts payable at maturity (the "Discount Bonds"). The difference between the initial public offering prices to the public (excluding bond houses and brokers) at which price a substantial amount of each maturity of the Discount Bonds is sold and the amount payable at maturity constitutes original issue discount, which will be excludable from gross income to the same extent as interest on the Series 2010 Bonds for federal income tax purposes. The Code provides that the amount excludable accrues using a single rate of compound interest based on the compounding of interest at the end of each six-month period (or shorter period from the date of original issue) ending January 1 and July 1 (with straight-line interpolation between compounded dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing in each period with respect to Discount Bonds purchased upon the initial offering of such Discount Bonds, will be added to the Holder's tax basis for the Discount Bonds. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity).

Owners who do not purchase Discount Bonds in the initial offering at the initial offering price at which a substantial amount of such Discount Bonds were sold should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of certificates such as the Discount Bonds. Subsequent purchasers of Discount Bonds should consult their tax advisor with respect to the tax consequences of the ownership of the Discount Bonds.

Bondholders who may acquire Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such 2010 Bonds, other tax consequences of owning Discount Bonds and other state and local tax consequences of owning Discount Bonds.

These and other provisions of the Code and the laws of various states may give rise to adverse federal income or state tax consequences to particular Holders of the Series 2010 Bonds. Holders of the Series 2010 Bonds should consult their own tax advisors with respect to the tax consequences to them of owning the Series 2010 Bonds.

#### *Original Issue Premium*

Certain of the Series 2010A Bonds have been sold at initial public offering prices which are greater than the amount payable at maturity ("Premium Bonds"). An amount equal to the excess of the

purchase price of the Premium Bonds over the stated redemption prices at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Premium Bond, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

### **Series 2010B Bonds (Federally Taxable)**

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Series 2010B Bonds. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not address all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are "U.S. holders" (as defined below) who will hold the Series 2010B Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code.

**Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the Series 2010B Bonds.**

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Series 2010B Bond. A "non U.S. holder" is a holder (or beneficial owner) of a Series 2010B Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

#### *General*

Interest on the Series 2010B Bonds is not excludable from gross income for federal income tax purposes. Payments of interest with respect to the Series 2010B Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code.

#### *Characterization of the Series 2010B Bonds as Indebtedness*

For federal income tax purposes, the Series 2010B Bonds will be treated as indebtedness of the County. The owners of the Series 2010B Bonds, by purchasing the Series 2010B Bonds, will be deemed to have agreed to treat the Series 2010B Bonds as indebtedness of the County for federal income tax purposes. The County intends to treat the Series 2010B Bonds as its indebtedness for tax and financial accounting purposes.

### *Disposition and Defeasance of Series 2010B Bonds*

Upon the sale, exchange, retirement or other taxable disposition (collectively, a “disposition”) of a Series 2010B Bond, a Bondholder will generally recognize gain or loss equal to the difference between the amount realized on such disposition (less any accrued interest, which will be taxable as ordinary income in the manner described above under “—General”) and the Bondholder’s adjusted tax basis in such Series 2010B Bond. The County may deposit moneys or securities with the Trustee in escrow in such amount and manner as to cause the Series 2010B Bonds to be deemed to be no longer outstanding under the Indenture (a “defeasance”). A defeasance of the Series 2010B Bonds may result in a reissuance thereof, in which event a Bondholder will also recognize gain or loss as described in the first sentence of this paragraph. Ordinarily, upon the disposition or defeasance of the Series 2010B Bonds, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than 12 months is 15%. However, if a Series 2010B Bond was subject to a discount at its initial issuance, a portion of such gain will be recharacterized as interest and therefore ordinary income. In February of 2009, the President proposed increasing the long-term capital gains rate to 20%. Neither the County nor Bond Counsel can predict whether this increase will receive Congressional approval.

### *Backup Withholding*

Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Series 2010B Bonds if the purchasers, upon issuance, fail to supply the applicable party or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fail to provide the applicable party with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Internal Revenue Service and to each purchaser setting forth the amount of interest paid with respect to the Series 2010B Bonds and the amount of tax withheld thereon.

### *State, Local or Foreign Taxation*

No representations are made regarding the tax consequences of purchase, ownership or disposition of the Series 2010B Bonds under the tax laws of any other state, locality or foreign jurisdiction (except as provided in “—South Carolina Taxation” below).

### *Circular 230*

To ensure compliance with Treasury Circular 230, holders of the Series 2010B Bonds should be aware and are hereby put on notice that: (a) the discussion in this Official Statement with respect to United States federal income tax consequences of owning the Series 2010B Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

## **South Carolina Taxation**

In the opinion of Bond Counsel, the Series 2010 Bonds and the interest payments thereon are exempt from all State taxation except estate or other transfer taxes and certain franchise taxes. Section 12-11-20 of the Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed at the rate of 4½% of the entire net income of such bank. Regulations of the South Carolina Department of Revenue require that the term "entire net income" includes income derived from any source whatsoever including interest on obligations of any state and any political subdivision thereof. Interest on the Series 2010 Bonds will be included in such computation.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the Holders of the Series 2010 Bonds upon the occurrence of an event of default under the Ordinances are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Titles 9 and 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Ordinances and the Series 2010 Bonds themselves may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2010 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

## **CONTINUING DISCLOSURE**

In accordance with the requirements of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the County will agree to provide:

- (i) certain annual financial information and operating data, including audited financial statements, as well as updates of the following tables in the Official Statement:
  - (a) passenger enplanements table under "THE AIRPORT – Passenger Enplanements;"
  - (b) table entitled "Historical Passenger Enplanements and Market Shares;"
  - (c) table entitled "Historical Operations;"
  - (d) table entitled "Historical Airline Revenues;"
  - (e) table entitled "Historical Concession Revenues;"
  - (f) table entitled "Historical FBO and Airline Service Revenue;"
  - (g) table under "FINANCIAL FACTORS – Five-Year Summary;"
  - (h) table entitled "Historical Fiscal Year Debt Service Coverage Calculation;" and
  - (i) a table showing remaining Annual Debt Service on all outstanding Bonds.

Such information is expected, but not required, to be available within seven months after the end of each Fiscal Year of the County and will be made available, in addition to the Municipal Securities Rulemaking Board (the "MSRB"), to each holder of Series 2010 Bonds who makes request for such information. The annual financial information will be filed with respect to the Fiscal Year of the County commencing July 1, 2010, and each Fiscal Year thereafter.

- (ii) in a timely manner to the MSRB and State Information Repository, if any, notice of the occurrence of any of the following events with respect to the Series 2010 Bonds, if, in the judgment of the County, such event is material;
  - (a) principal and interest payment delinquencies;
  - (b) non-payment related defaults;
  - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) substitution of credit or liquidity providers, or their failure to perform;
  - (f) adverse tax opinions or events affecting the tax-exempt status of the Series 2010A Bonds;
  - (g) modifications to rights to holders of the Series 2010 Bonds;
  - (h) Series 2010 Bond calls;
  - (i) defeasance;
  - (j) release, substitution, or sale of property securing repayment of the Series 2010 Bonds; and
  - (k) rating changes.

The County may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the County, such other event is material with respect to the Series 2010 Bonds, but the County does not undertake to commit to provide any such notice of occurrence of any material event except those events listed above.

- (iii) in a timely manner, to the MSRB, notice of a failure (of which the County has knowledge) by the County to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The foregoing information and notices can be obtained from the Horry County Department of Airports, 1100 Jetport Road, Myrtle Beach, SC 29577 (843-839-7340), Attention: Patricia Apone, Deputy Director, Finance and Administration.

The County reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County; provided that any such modification will be done in a manner consistent with the Rule. The County reserves the right to terminate its obligation to provide annual financial information and notice of material events as set forth above, if and when the County no longer remains an obligated person with respect to the Series 2010 Bonds within the meaning of the Rule. The County acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Holders of the Series 2010 Bonds and shall be enforceable by the Holders of the Series 2010 Bonds; provided that the Holders' right to enforce the provisions of the undertaking shall be limited to a right to obtain specific enforcement of the County's obligations pursuant to the undertaking and any failure by the County to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 2010 Bonds.

The form of the County's undertaking under the Rule is included as APPENDIX E to this Official Statement. The County is currently in compliance with all prior undertakings under the Rule, and has timely made all requisite filings under the Rule for the last five years.

**MISCELLANEOUS**

This Official Statement has been duly authorized, executed and delivered by the County.

The summaries and descriptions of provisions of the Ordinances and all references to other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of the Ordinances may be obtained from the County or, during the offering period, from the Purchasers.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

**HORRY COUNTY, SOUTH CAROLINA**

By: /s/Liz Gilland  
Chairman, Horry County Council

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AUDITED FINANCIAL STATEMENTS

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Report on Audits of Financial Statements of  
Department of Airports  
Horry County, South Carolina  
*for the years ended June 30, 2010 and 2009*

## Contents

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	<u>Page</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis .....	3-12
Basic Financial Statements	
Statements of Net Assets.....	13-14
Statements of Revenues, Expenses, and Changes in Net Assets.....	15-16
Statements of Cash Flows .....	17-18
Notes to Financial Statements .....	19-39
Combining Statement of Revenues, Expenses, and Changes in Net Assets - Myrtle Beach International Airport and All Other Airports Year Ended June 30, 2010 .....	40-41
Required Supplementary Information	
Required Supplementary Information for Governments that Use the Modified Approach for Infrastructure Assets .....	42

Independent Auditors' Report

The Honorable Chairman and Members of County Council  
Horry County, South Carolina

We have audited the accompanying basic financial statements and the combining statement of revenues, expenses, and changes in net assets - Myrtle Beach International Airport and all other airports of the Department of Airports, Horry County, South Carolina (the "Airport"), as listed in the table of contents, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the Airport's management. Our responsibility is to express opinions on these financial statements based on our audits. The prior year comparative information presented has been derived from the Airport's 2009 audited financial statements and, in our report dated October 24, 2009, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements referred to above present only the financial position, changes in financial position, and cash flows for its proprietary fund type of only that portion of the funds of Horry County, South Carolina, that is attributable to the transactions of the Airport, an enterprise fund of Horry County, South Carolina. They do not purport to and do not present the financial position, changes in financial position, and cash flows of Horry County, South Carolina or its other agencies, institutions, departments, or funds as of and for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Airports, Horry County, South Carolina, as of June 30, 2010, and the changes in its financial position and its cash flows, and the changes in financial position of Myrtle Beach International Airport and all other airports, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2010 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Scott and Company LLP*

Columbia, South Carolina  
September 24, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Management's Discussion and Analysis**

### **Introduction**

The Department of Airports, Horry County, South Carolina (the "Airport"), is pleased to present its Annual Financial Report. The Airport is responsible for the management of Horry County's Airport System, which consists of the Myrtle Beach International Airport ("MYR") as well as the Conway/Horry County ("HYW"), Grand Strand ("CRE"), and Loris ("SJ9") Airports.

The following discussion and analysis of the financial performance and activity of the Airport is to provide an introduction and understanding of the Airport's financial statements for the fiscal year ending June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements.

The Directors of the Airports are responsible for handling matters affecting the airports of Horry County and report to the County Administrator. An Airport Advisory Committee, the members of which are appointed by County Council, meets periodically to give advice and to make certain recommendations concerning the operation and management of the County-operated airports to the County Council. During fiscal year 2010, the department was been managed by two Co-Interim Directors. After an extensive, three month national search, Michael La Pier, was selected as the new Director of Airports. Mr. La Pier began his tenure as the Director on September 13, 2010.

### **Financial and Activity Highlights**

The financial position of the Airport remains strong with a 3% increase in passenger enplanements at MYR during fiscal year 2010. Airport staff continually monitors the level of activity along with the financial performance of the department making adjustments whenever possible to protect the financial strength of the department. The Airport is continuing to implement its various airport capital projects including the Terminal Capacity Enhancement Program (TCEP), which will increase the number of gates at MYR from seven to thirteen, and the Harrelson Boulevard project to ensure that sufficient capacity will be available to meet future demands. Other projects include completion of a new general aviation terminal and T-hangars at MYR, improvements to the fuel farm at HYW, obstruction removal at CRE and purchase of land in the Runway Protection Zone at SJ9.

The following are key financial and activity highlights:

- 765,156 passengers enplaned at MYR in fiscal year 2010, which is an increase of 3% from 742,744 enplanements in fiscal year 2009. Airport operations (total of flight landings and take offs) at MYR increased 12% to 91,270 in fiscal year 2010 up from 81,748 in fiscal year 2009.
- The airline cost per enplaned passenger at MYR was \$5.77 in 2010, a decrease of 11% from \$6.48 in 2009.

- Net assets were \$176,909,805 at June 30, 2010. The net assets are comprised of \$104,452,424 invested in capital assets, net of related debt, \$4,508,799 in restricted assets for debt service, \$25,959,582 in restricted net assets for capital projects, and \$41,989,000 that is unrestricted.
- Operating loss (after depreciation) for the year ended June 30, 2010 was \$(435,392) compared to an operating income of \$412,604 in fiscal year 2009.
- Operating revenues were \$16,236,821 in 2010, compared to \$16,866,905 in fiscal year 2009.
- Operating expenses were \$16,672,213 in 2010, compared to \$16,454,301 in fiscal year 2009.
- Debt service coverage ratio was 4.70 which exceeds the 1.25 required by the Series 1997 and 2000 revenue bond covenants. In 2008, the airport redeemed \$11,270,000 Series 1997 revenue bonds, which had an original amount of \$26,255,000.
- As of June 30, 2010, unrestricted cash, cash equivalents, and investments were \$45,143,772.
- The MYR airlines were provided \$172,574 in fee waivers as part of the airline incentive program to encourage air carriers to establish service to new service markets and stronger year-round service. The Airport also reduced the landing fee from \$1.97 to \$0.50 starting September 2008 and continuing through June 2010, reducing the landing fee revenue by \$1,450,697 for fiscal year 2010 as part of its Air Service Development program. Further, in accordance with the MYR use agreement, the airline reconciliation credit was estimated at \$260,000.
- The Airport has several capital projects underway which include the following projects: TCEP, Harrelson Boulevard, MYR ARFF Facility, MYR Taxiway-B-2, MYR Ramp Rehabilitation, MYR South Ramp Expansion, MYR ARFF Access and Service Roads, Myrtle Beach International Technology and Aerospace Park (ITAP), and several others.
- On April 20, 2010, the Federal Administration approved the Airport's Passenger Facility Charge (PFC) application Number 10-04-C-00-MYR to impose a \$4.50 PFC at MYR and to use \$104,020,700 of PFCs to fund elements of the TCEP. On June 1, 2010 the Airport began collection of PFC's on new PFC application.
- The Airport received two grants under the American Recovery and Reinvestment Act of 2009 which pays for 100% of the construction cost of the CRE Rehabilitation and Rewiring the Airfield Lighting System (\$1,387,385) and MYR Construction on the South Apron at MYR (\$3,491,545).
- On September 19, 2008, a Stipulation of Dismissal along with a Settlement Agreement was filed in Civil Action No.: 03-CP-26-5436, Horry County v. A-1 Masonry, et al., making the settlement of the case effective on that date. According to the settlement, in consideration of payment to it in the amount of \$1,029,961, Horry County has settled its claims against all parties.

## **Overview of Annual Financial Report**

The Airport's basic financial statements include the Statements of Net Assets; Statements of Revenues, Expenses, and Changes in Net Assets; Statements of Cash Flows; and Notes to the Financial Statements. The financial statements are prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Government Accounting Standards Board ("GASB") principles.

The Statements of Net Assets present the financial position of the Airport on a full accrual basis. While the Statements of Net Assets provides information about the nature and amount of resources and obligations at the end of a year, the Statements of Revenues, Expenses, and Changes in Net Assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operational, financing, and investing activities. These statements present cash receipts and cash disbursements information, without consideration of the earnings event, when obligations arise, or depreciation of capital assets.

The Notes to the Financial Statements provide disclosures and other information that is essential to a full understanding of material information provided in the statements. The notes present information about the Airport's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The financial statements were prepared by the Airport's staff from the detailed books and records of the Airport. The financial statements were audited by the independent certified public accounting firm, Scott and Company LLP of Columbia, South Carolina.

## **Summary of Organization and Business Environment**

The organization of the Airport is described in Note 1 – *Summary of Significant Accounting Policies - Reporting Entity* of the Notes to the Financial Statements.

The Airport is responsible for operations, maintenance, and development of the MYR and three general aviation ("GA") airports. The Airport operates the fixed base operations ("FBO") at MYR and is currently operating the FBO at HWY until a new operator can be located. In addition to providing hangar and ramp tie-down facilities for general aviation aircraft, the Airport also provides ground handling services for some commercial airlines and fueling for all aircraft at MYR.

Airline customers at MYR include signatory and non-signatory air carriers. The County has entered into separate, but substantially similar, Signatory Airline Contract and Use Agreements (the "Signatory Airline Agreements") with four passenger airlines. The Signatory Airline Agreements had an original term commencing July 1, 2002 and terminating June 30, 2007, but remain in effect on a month-to-month holdover basis. The holdover term under each Signatory Airline Agreement may be terminated by either the County or the Signatory Airline upon 30 days notice. As of June 30, 2010, the signatory airlines are; US Airways, Spirit Airlines, United Airlines and Delta Airlines

(system). DirectAir was a signatory indirect air carrier. The non-signatory airlines include Continental Airlines, Allegiant Air, American Airlines and Porter. On July 1, 2010, Continental became a signatory airline.

Non-airline customers and tenants include 9 car rental companies (Dollar, Alamo, Hertz, Avis, Enterprise, National, U-Save, Budget, Thrifty), Republic Parking, MSE Food Services and Airport Management Services, LLC (“Hudson Group”), AvCraft Services, Huffman Helicopters, Atlanta Air Services, other concessionaires, several Federal government agencies including the Transportation Security Administration (“TSA”), and a private fixed based operator at CRE.

The Airport, under the MYR Airline Agreement, established airlines rates and charges based on a compensatory rate making methodology. Amounts charged to the airlines for landing fees and terminal rents at MYR are based upon the amount necessary to cover operating and capital expenses allocable to the airfield and terminal building at MYR. The Signatory Airline Agreement requires the Airport to prepare a reconciliation to determine the actual airline rents and charges during the year. The Airport has estimated the reconciliation credit for fiscal year 2010 to be \$260,000.

The airline industry has experienced financial difficulties as the cost of operations has increased dramatically over the past few years, while demand was impacted by the 2008-2009 recession. Several airlines have filed for bankruptcy protection over the past decade. Fuel remains one of the largest and most volatile expenses for airlines. Most airlines have announced service cuts, grounding of aircraft, and layoffs since 2008, although recent trends show stabilization in traffic and service levels. While airport rates and charges are a minor component of the airline industry’s expense structure and most airlines have reported significantly improved financial results in the first half of 2010, airlines often seek financial relief wherever possible. In an effort to assist the airlines and to further partner with the Grand Strand community’s air service marketing efforts, Horry County Council authorized an enhanced airline incentive program for MYR starting September 2008. The incentive program reduced landing fees by 75% causing a reduction of landing fee revenue of \$1.4 million. The program continued the seasonal waiver of landing fees from December 2009 through February 2010, and offers an alternate billing method for service to new domestic markets and additional waivers for service to international markets at a cost of \$172,574. The Airport and the local tourism community are aggressively working with the air carriers to bring additional service to the Grand Strand, as well as maintain current levels of service to our community. This incentive program will continue as described above until June 30, 2011. The landing fee waiver will be modified in FY 2011 reducing the landing fee from \$1.95 to \$1.25 and will delete the seasonal waiver. Each year, as part of the budget process, Horry County Council will review and if necessary, will modify the program to provide maximum support of air service development as the budget will permit.

## **Financial Analysis**

The following condensed financial statements and other selected information serve as the key financial data and indicators for management monitoring and planning. Comments regarding financial data are included in each section by the name of the statement or account.

## CONDENSED STATEMENTS OF NET ASSETS

	Year Ended June 30, 2010	Year Ended June 30, 2009
<b>Assets:</b>		
Current assets	\$ 47,952,996	\$ 50,186,467
Restricted assets	31,318,713	27,727,824
Capital assets, net of accumulated depreciation	115,011,920	98,132,102
Bond issue costs, net of accumulated amortization	251,916	273,475
Total Assets	\$ 194,535,545	\$ 176,319,868
<b>Liabilities:</b>		
Current liabilities	\$ 6,055,189	\$ 4,971,889
Current liabilities payable from restricted assets	850,335	833,255
Non-current liabilities	10,720,216	11,230,253
Total Liabilities	17,625,740	17,035,397
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	104,452,424	87,136,946
Restricted for debt service	4,508,799	26,091,465
Restricted for capital projects	25,959,582	803,104
Unrestricted	41,989,000	45,252,956
Total Net Assets	176,909,805	159,284,471
<b>Total Liabilities and Net Assets</b>	<b>\$ 194,535,545</b>	<b>\$ 176,319,868</b>

### Statements of Net Assets

The Airport continues to maintain a strong financial position as of June 30, 2010. The Airport's current financial position, capital assets, and debt structure are sound and should provide for current and anticipated enplanement growth. County Council has directed staff to proceed with development of a program to increase terminal capacity on the east side of the MYR. The airport has completed the design and bidding portion of the project and is in the process of finalizing the financial program and anticipates issuing bonds for the TCEP in late 2010.

Cash includes amounts in petty cash, bank demand deposits, certificates of deposits, and repurchase agreements. The Airport considers all short-term, highly liquid investments with original maturities of three months or less (including restricted assets) to be cash equivalents. The County Treasurer maintains and is responsible for the overall management of funds.

**CONDENSED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

	<b>Year Ended June 30, 2010</b>	<b>Year Ended June 30, 2009</b>
Operating revenues – MYR & Leases	\$ 11,461,850	\$ 11,831,788
Operating revenues - FBO & Airline Services	4,445,349	4,615,361
Operating revenues – Other Airports-General Aviation	329,622	419,756
<b>Net Operating Revenues</b>	<b>16,236,821</b>	<b>16,866,905</b>
Operating expenses (before depreciation)	11,705,833	11,722,037
Depreciation and amortization	4,966,380	4,732,264
<b>Total Operating Expenses</b>	<b>16,672,213</b>	<b>16,454,301</b>
Net non-operating revenues and expenses	5,575,137	6,983,563
Net capital contributions	12,485,589	4,081,072
<b>Net Change in Net Assets</b>	<b>\$ 17,625,334</b>	<b>\$ 11,477,239</b>

**Operating Revenues**

Revenues from operations are comprised of landing fees, terminal rents, concessions, FBO operations, and rents from other airports. Operating revenues for year ended June 30, 2010 were \$16,236,821. Operating revenues in fiscal year 2010 were less than fiscal year 2009 by \$630,084. The terminal concessions revenue for fiscal year 2010 was \$5,950,119, which is a decrease of \$20,998 from fiscal year 2009.

Airline revenues consist of landing fees, terminal rents, security fees and the annual results of the signatory recalculation at MYR. Airline revenues for fiscal year 2010 were \$4,415,566 or 27% of net operating revenues compared to 28.5% in fiscal year 2009. The Airport has estimated that it will rebate to the airlines approximately \$260,000 for fiscal year 2010 for the signatory recalculation. The airport issued fee waivers in the amount of \$172,574 for the airline incentive program and the reduction to the landing fee reduced landing fee revenues by approximately \$1.4 million.

FBO revenues consist of general aviation fuel sales, other revenues from hangar rentals, general aviation services and miscellaneous sales. The total FBO revenue for fiscal year 2010 was \$3,853,352 or 24% of total operating revenues. The airline services department produced revenues in the amount of \$591,997 for the fiscal year 2010.

Other airports generated \$329,622 or 2% of operating revenues.

The Airport received federal revenue from the Transportation Security Administration (“TSA”) of \$114,756 for the year ended June 30, 2010. This is related to the law enforcement officer (“LEO”) reimbursement program and is included in operating revenues.

## **Operating Expenses**

The primary components of operating expenses include personal services (salaries and benefits), utilities, maintenance, supplies, services, insurance, depreciation/amortization, and other miscellaneous expenses. Total operating expenses for fiscal year 2010 were \$16,672,213. Operating expenses increased \$217,912 over fiscal year 2009, mostly due to the increase in depreciation and amortization expense. The Airport continuously monitors its variable cost budgets to ensure that overall profitability is maximized.

The Airport's expenses for personnel services were \$5,858,592 representing 35.1% of total operating expenses. Depreciation/amortization expense and fuel cost of sales represent 29.8% and 14.5%, respectively, of total operating expenses.

## **Non-operating Revenues and Expenses and Extraordinary Item**

Non-operating revenues and expenses primarily consist of Contract Facility Charges (CFCs), investment earnings, debt related interest expense, grant revenues, and other sundry income and expense items.

CFC non-operating revenue for fiscal year 2010 totaled \$2,378,146. On January 1, 2005, the Airport, at the request of the car rental companies, increased the CFC from \$2.00 to \$4.00 per day, in an effort to pay for the new facilities needed when the terminal expansion project is completed.

On April 20, 2010, the Federal Aviation Administration (FAA) approved PFC Application Number 10-04-C-00-MYR in the amount of \$104,020,700 in support of the Terminal Expansion Project. This application allowed the Department to begin collecting a \$4.50 PFC starting June 1, 2010. The application will allow the Department to utilize PFCs to pay for \$19 million of project cost and \$85 million in financing cost. The accrual amount for fiscal year 2010 was \$287,472.

The FAA Airport Improvement Program (AIP) grant revenue was \$11,707,114 to fund several approved capital projects. The Airport received \$704,776 in grants from South Carolina Department of Revenue, Commerce/Division of Aeronautics for general aviation capital improvements. The Airport received \$2,028,157 from the City of Myrtle Beach Aviation Trust Fund, \$625,000 from various utility companies for ITAP, and \$563,821 grant revenue from the Myrtle Beach Air Force Base ("MBAFB") Redevelopment Authority.

### Capital Assets

The Airport had invested \$115,011,920 and \$98,132,102 for 2010 and 2009, respectively, in capital assets, including MYR terminal building, runways and taxiways, land, hangars, general aviation facilities, machinery, and equipment.

The Airport had the following capital assets as of June 30,:

	<u>2010</u>	<u>2009</u>
Land and easements	\$ 22,932,890	\$ 22,859,192
Buildings and improvements	55,592,313	50,257,942
Runways, taxiways, and aprons	45,700,216	44,438,268
Infrastructure – airfield	9,182,000	9,182,000
Land improvements	8,313,562	6,668,123
Machinery and equipment	13,077,916	12,746,797
Construction in progress	21,644,370	9,958,654
Less, accumulated depreciation	(61,431,347)	(57,978,874)
	<u>\$ 115,011,920</u>	<u>\$ 98,132,102</u>

### Debt Administration

The Airport had the following long-term debt as of June 30,:

	<u>2010</u>	<u>2009</u>
<b><u>Revenue Bonds Payable</u></b>		
Series 1997	\$ 3,585,000	\$ 3,700,000
Series 2000	6,490,000	6,920,000
Total revenue bonds payable	10,075,000	10,620,000
Less, original issue discount	(88,230)	(90,437)
Less, current maturities	(575,000)	(545,000)
Less, deferred charges	(296,029)	(325,632)
<b>Non-current revenue bonds payable</b>	<u>\$ 9,115,741</u>	<u>\$ 9,658,931</u>

### Capital Lease Obligation

Present value of future minimum payments	\$ 265,502	\$ 305,895
Less, current portion	(41,810)	(40,393)
<b>Non-current capital leases payable</b>	<u>\$ 223,692</u>	<u>\$ 265,502</u>

### Compensated absences

	\$ 1,111,996	\$ 1,119,892
Less, current portion	(277,999)	(279,973)
<b>Total non-current compensated absences</b>	<u>\$ 833,997</u>	<u>\$ 839,919</u>

<b><u>Due to tenants for capital improvements</u></b>	\$ 150,000	\$ 200,000
Less, current portion	(50,000)	(50,000)
<b>Total non-current due to tenant</b>	<b>\$ 100,000</b>	<b>\$ 150,000</b>
<b><u>Other post-employment benefits</u></b>		
Annual Required Contribution (ARC)	\$ 139,935	\$ 155,363
Interest on Net OPEB Obligation (NOO)	14,216	6,991
ARC Adjustment	(13,171)	(6,477)
Increase in Employer Annual Required Contribution (3%)	—	4,661
Annual OPEB cost	140,980	160,538
Contributions made	(10,095)	—
NOO – beginning of year	315,901	155,363
<b>NOO – end of year</b>	<b>\$ 446,786</b>	<b>\$ 315,901</b>

In adopting GASB Statement 45 during the year ended June 30, 2010, the Airport recognized the ARC of \$140,980 associated with OPEB as an expense and the NOO as a liability. The ARC consists of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial liability over a period of thirty years. Horry County currently pays for post-employment benefits on a pay-as-you-go basis.

The Airport's annual OPEB cost for June 30, 2010 was \$139,935, which is equal to the ARC for that fiscal year since the transition liability was set at zero for June 30, 2007. The ending NOO is \$446,786 for June 30, 2010, which includes interest on the beginning NOO of \$14,216 and ARC adjustment of (\$13,171). An actuarial valuation was performed for the first time as of June 30, 2007, and again during the year ended June 30, 2009. See Note 7 Other Post-Employment Benefits for more details.

### **Airport Infrastructure**

The Airport's infrastructure includes the re-surfacing of taxiways, aprons, paved roads and related drainage. The Airport reports its infrastructure systems using the modified approach. The modified approach is an alternative to depreciation that may be applied for eligible infrastructure capital assets that are managed using an asset management system and are being preserved at or above a condition level established by the government. The basis for the condition measurement of airfield systems is based on a Pavement Condition Index ("PCI") and the Airports' Master Plan which is updated every five years or as necessary as part of the FAA required Airport Layout Plan ("ALP"). In fiscal year 2009, the Airport completed a PCI study for MYR. The Airport also completed the MYR ALP in FY 2010.

### **Fiscal Year 2011 Airport Budget**

Horry County Council has approved the Airport's budget for fiscal year 2011, which included operating revenues of \$18,821,946, operating expenses of \$18,945,700, airline incentives of \$1,000,000, and non-operating revenues and expenses of \$8,531,719. Horry County Council modified the airline incentive program for MYR for fiscal year 2011, as previously discussed. The Airport and community leaders are working closely with the airlines with the hopes of increasing the service levels of existing airlines and attracting new air carriers. If however, the airline activity levels are below the amounts necessary to offset the reduction in airport revenues, any shortfall will be funded with airport reserves.

### **Terminal Expansion Program and Harrelson Boulevard**

The design and bidding of the Terminal Expansion Program and Harrelson Blvd. have been completed. On September 21, 2010, Horry County Council gave first reading approval for Ordinance 77-10 and Ordinance 78-10 authorizing issuance of Airport Revenue Bonds of Horry County, South Carolina; providing for the terms and conditions upon which the bonds may be issued; providing for the use of the proceeds of the bonds; providing for payment and security of the bonds; and providing for other matters in connection therewith and the issuance of not exceeding \$77.5 million principal amount of Airport Revenue Bonds, in two series. In addition to these bonds, the funding plan will utilize \$16.5 million in airport cash, along with PFCs, CFCs, FAA Airport Improvement Program/TSA/MBARFRDA (local) grants.

The Department of Airport also anticipates redeeming the outstanding 1997 and 2000 Bonds with airport cash. This allows for a new, modern Bond Ordinance and financial savings for the Department.

### **Request for Information**

This financial report is designed to provide a general overview of the Airport's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Department of Airports, Horry County, 1100 Jetport Road, Myrtle Beach, South Carolina, 29577.

## BASIC FINANCIAL STATEMENTS

Department of Airports  
Horry County, South Carolina  
Statements of Net Assets  
as of June 30,

	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 22,723,316	\$ 8,938,283
Investments	22,420,456	38,677,211
Accounts receivable (net of allowance of \$294,358 in 2010 and 2009)	693,478	655,171
Accrued interest on investments	253,278	305,071
Due from other governments	1,394,624	1,196,535
Inventories	399,883	332,949
Prepaid expenses	67,961	81,247
Total current assets	47,952,996	50,186,467
Non-current assets:		
Restricted assets:		
Cash and cash equivalents	1,690,251	1,677,713
Investments	28,480,680	25,294,903
Due from Horry County Industrial Park	500,000	500,000
Receivables - PFC's and CFC's	647,782	255,208
Total restricted assets	31,318,713	27,727,824
Capital assets:		
Land, easements and infrastructure	32,114,890	32,041,192
Depreciable buildings, runways, taxiways, aprons, and machinery and equipment, net	61,252,660	56,132,256
Construction-in-progress	21,644,370	9,958,654
Total capital assets, net	115,011,920	98,132,102
Bond issuance costs, net	251,916	273,475
Total assets	\$ 194,535,545	\$ 176,319,868

*The accompanying notes are an integral part of these financial statements.*

Department of Airports  
Horry County, South Carolina  
Statements of Net Assets  
as of June 30,

	2010	2009
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 203,614	\$ 241,729
Construction accounts and retainage payable	2,743,619	2,099,191
Accrued salaries, wages, and compensated absences	427,193	411,981
Other accrued expenses	826,067	629,518
Unearned revenue	203,946	232,019
Due to Horry County General Fund	842,108	784,326
Capital lease payable - current portion	41,809	40,393
Amounts due to tenants, airlines, and car rentals	766,833	532,732
<b>Total current liabilities</b>	<b>6,055,189</b>	<b>4,971,889</b>
<b>Current liabilities payable from restricted assets:</b>		
Revenue bonds payable - current portion	575,000	545,000
Accrued interest payable	275,335	288,255
<b>Total current liabilities payable from restricted assets</b>	<b>850,335</b>	<b>833,255</b>
<b>Non-current liabilities:</b>		
Revenue bonds payable	9,115,741	9,658,931
Compensated absences - long term	833,997	839,919
Net other post-employment benefits obligation	446,786	315,901
Due to tenants for capital improvements	100,000	150,000
Capital lease payable	223,692	265,502
<b>Total non-current liabilities</b>	<b>10,720,216</b>	<b>11,230,253</b>
<b>Total liabilities</b>	<b>17,625,740</b>	<b>17,035,397</b>
<b>Net assets:</b>		
Investment in capital assets, net of related debt	104,452,424	87,136,946
Restricted for:		
Debt service	4,508,799	26,091,465
Capital projects	25,959,582	803,104
Unrestricted	41,989,000	45,252,956
<b>Total net assets</b>	<b>176,909,805</b>	<b>159,284,471</b>
<b>Total liabilities and net assets</b>	<b>\$ 194,535,545</b>	<b>\$ 176,319,868</b>

*The accompanying notes are an integral part of these financial statements.*

Department of Airports  
Horry County, South Carolina  
Statements of Revenues, Expenses, and Changes in Net Assets  
years ended June 30,

	2010	2009
<b>Operating Revenues</b>		
Concessions and rentals	\$ 5,950,119	\$ 5,971,117
Fuel sales – FBO	3,487,256	3,504,377
Airline terminal rents	4,087,447	4,085,932
Landing fees	551,637	876,108
Leases	1,102,719	1,102,085
Other airline services	591,997	774,930
Other	574,408	576,938
Federal revenue - TSA LEO reimbursement program	114,756	123,924
Security fees	209,056	216,734
Total operating revenues	<u>16,669,395</u>	<u>17,232,145</u>
Less, signatory airline rebate & incentive fee waivers	<u>(432,574)</u>	<u>(365,240)</u>
Net operating revenues	<u>16,236,821</u>	<u>16,866,905</u>
<b>Operating Expenses</b>		
Salaries and benefits	5,858,592	6,014,109
Depreciation and amortization	4,966,380	4,732,264
Fuel cost of sales	2,410,014	2,498,664
Outside and professional services	767,866	738,427
Utilities	924,736	847,481
Maintenance and supplies	598,364	594,383
Horry County administrative costs	355,418	246,676
Vehicle and equipment (non-capital) expense	366,681	336,835
Insurance	249,162	255,862
Dues, memberships, and travel	148,545	165,872
Office supplies	26,455	23,728
Total operating expenses	<u>16,672,213</u>	<u>16,454,301</u>
Operating (loss) income	<u>\$ (435,392)</u>	<u>\$ 412,604</u>

*The accompanying notes are an integral part of these financial statements.*

Department of Airports  
Horry County, South Carolina  
Statements of Revenues, Expenses, and Changes in Net Assets  
years ended June 30,

	2010	2009
<b>Non-Operating Revenues (Expenses)</b>		
Passenger Facility Charges (PFC's)	\$ 287,472	\$ —
Contract Facility Charges (CFC's)	2,378,146	2,494,096
Interest income	731,142	1,607,101
Intergovernmental revenues - Horry County Industrial Park	—	500,000
Intergovernmental revenues - City of Myrtle Beach	2,028,157	1,725,761
Redevelopment Authority grant revenue	563,821	236,179
Revenue – Utility Companies for IfAP	625,000	—
Loss on disposal of assets	(352,180)	9,910
Legal settlement	—	1,029,961
Building demolition expense	(94,138)	—
Interest expense	(592,283)	(619,445)
Net non-operating revenues	5,575,137	6,983,563
Income before capital contributions	5,139,745	7,396,167
<b>Capital Contributions</b>		
Federal grant revenue - capital projects	11,707,114	3,766,141
State grant revenue - capital projects	704,776	314,931
Contributed capital – City of Myrtle Beach - land	73,699	—
Net capital contributions	12,485,589	4,081,072
Increase in net assets	17,625,334	11,477,239
<b>Net Assets</b>		
Beginning of year	159,284,471	147,807,232
End of year	\$ 176,909,805	\$ 159,284,471

*The accompanying notes are an integral part of these financial statements.*

Department of Airports  
Horry County, South Carolina  
Statements of Cash Flows  
years ended June 30,

	2010	2009
<b>Cash flows from operating activities</b>		
Cash received for:		
Landing fees, terminal rents, and concessions leases	\$ 11,426,609	\$ 11,994,514
FBO fuel sales and airline services	4,440,838	4,497,529
Other	537,096	533,041
Cash paid for:		
Salaries and benefits	(5,849,301)	(5,815,365)
Maintenance, supplies, fuel, utilities, and equipment	(5,553,790)	(5,776,400)
Net cash provided by operating activities	<u>5,001,452</u>	<u>5,433,319</u>
<b>Cash flows from non-capital financing activities</b>		
Legal settlement	—	1,029,961
Building demolition	(94,138)	—
Net cash (used in) provided by non-capital financing activities	<u>(94,138)</u>	<u>1,029,961</u>
<b>Cash flows from capital and related financing activities</b>		
Receipt of Passenger and Contract Facility Charges	2,273,045	2,512,944
Acquisition and construction of capital assets	(21,508,694)	(9,785,439)
Sale of assets	—	9,910
Principal payments on bonds and notes	(545,000)	(520,000)
Interest paid on bonds and notes	(573,392)	(599,700)
Principal payments on capital lease obligation	(40,394)	(39,025)
Receipt of intergovernmental and private grants	3,476,219	1,738,980
Proceeds from Airport Improvement Program and State grants	11,954,560	3,417,886
Net cash used in capital and related financing activities	<u>(4,963,656)</u>	<u>(3,264,444)</u>
<b>Cash flows from investing activities</b>		
Investment purchases	(50,901,136)	(63,972,114)
Investment sales	63,972,114	42,628,595
Interest on investments	782,935	1,454,697
Net cash provided by (used in) investing activities	<u>13,853,913</u>	<u>(19,888,822)</u>
Net increase (decrease) in cash and cash equivalents	<u>13,797,571</u>	<u>(16,689,986)</u>
Cash and cash equivalents, beginning of year		
Unrestricted	8,938,283	25,643,462
Restricted	1,677,713	1,662,520
	<u>10,615,996</u>	<u>27,305,982</u>
Cash and cash equivalents, end of year		
Unrestricted	22,723,316	8,938,283
Restricted	1,690,251	1,677,713
	<u>\$ 24,413,567</u>	<u>\$ 10,615,996</u>

*The accompanying notes are an integral part of these financial statements.*

Department of Airports  
Horry County, South Carolina  
Statements of Cash Flows  
years ended June 30,

	2010	2009
<b>Reconciliation of operating (loss) income to net cash provided by operating activities</b>		
Operating (loss) income	\$ (435,392)	\$ 412,604
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation and amortization	4,966,380	4,732,264
(Increase) decrease in certain assets:		
Accounts receivable	(38,307)	124,666
Prepaid expenses	13,286	273
Inventories	(66,934)	54,995
(Decrease) increase in certain liabilities:		
Accounts payable	(38,115)	57,789
Accrued salaries, wages and compensated absences	9,290	38,206
Net other post-employment benefit obligation	130,885	160,538
Other accrued expenses	196,549	176,783
Due to Horry County - General Fund	57,782	(358,312)
Unearned revenue	(28,073)	42,631
Amounts due to tenants	234,101	(9,118)
Net cash provided by operating activities	\$ 5,001,452	\$ 5,433,319

*The accompanying notes are an integral part of these financial statements.*

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies**

**Reporting Entity** – The Department of Airports, Horry County, South Carolina, (the "Airport") is responsible for operations, maintenance, and development of Horry County, South Carolina's (the "County") Airport System. The Airport System consists of the Conway, Loris and Grand Strand Airports, as well as the Myrtle Beach International Airport ("MYR").

County Council's 12 members serve as the governing body that oversees the operation of the Airport System. The Airport System is accounted for by the County as a self-sufficient enterprise fund, and is administered by the Directors who report to the County Administrator.

**Basis of Presentation and Accounting** – The financial statements of the Airport have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting policies of the Airport conform to GAAP applicable to governmental proprietary activities as prescribed by the GASB. The Airport applies all financial accounting and reporting pronouncements issued by the GASB and the Financial Accounting Standards Board ("FASB"), and the predecessor organizations to the FASB, that are still in effect and issued by FASB (or predecessor organizations) on or before November 30, 1989, when not in conflict with GASB pronouncements. In accordance with GASB Statement 20, the Airport has elected not to implement FASB Statements 103 and after, and FASB Interpretations 39 and after.

**Enterprise Fund Accounting** – The Airport uses an enterprise fund to report its financial position and the results of its operations. A fund is a separate fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain government functions or activities. The activities of the Airport are accounted for within an enterprise fund of the proprietary fund category. Enterprise funds account for business-like activities that provide goods and services to the public financed primarily through user charges. A proprietary fund is used to account for activities similar to those found in the private sector. The measurement focus of proprietary funds is upon determination of change in net assets, financial position, and cash flows.

Proprietary fund statements reflect net assets and revenues, expenses and changes in net assets using the economic resources measurement focus, and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned and expenses are recognized when incurred.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Enterprise Fund Accounting (continued)** – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government's significant accounting policies are described below.

**Budgetary Process** – The Airport prepares an annual operating and capital budget, which is approved and adopted by County Council. The budget serves as an approved plan to facilitate financial control and operational evaluation.

**Cash, Cash Equivalents and Investments** – Cash includes amounts in petty cash, bank demand deposits, certificates of deposits, and repurchase agreements. The Airport considers all short-term, highly liquid investments with original maturities of three months or less (including restricted assets) to be cash equivalents. The Horry County Treasurer (the "County Treasurer") maintains and is responsible for the overall management of the funds.

South Carolina statutes authorize the County Treasurer to invest money subject to his control and jurisdiction in: obligations of the United States and agencies thereof; general obligations of the State of South Carolina or any of its political units; savings and loan association deposits to the extent they are insured by the Federal Deposit Insurance Corporation; or certificates of deposit where the certificates are collaterally secured by securities of the type described above.

The Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires certain of the Airport's investments to be presented at fair value. At June 30, 2010 and 2009, the fair value of all of the Airport's investments approximate carrying value.

During the year ended June 30, 2005, the Airport and the County implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. Because all of the Airport's deposits and investments are maintained by the County Treasurer, see the County's Comprehensive Annual Financial Report for disclosure requirements relating to this statement.

**Accounts Receivable** – The Airport's accounts receivable are stated at realizable values net of allowances for uncollectible accounts.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Due from Other Governments** – Revenues from federal, state, and local grants are recorded in the period reimbursable expenditures are incurred. At June 30, 2010 and 2009, amounts due from other governments totaled \$1,394,624 and \$1,196,535, respectively, and primarily consisted of Airport Improvement Program (“AIP”) federal grant reimbursements.

**Due from Horry County-Industrial Park Fund** – With Ordinance 07-09, Horry County Council approved to transfer \$500,000 from the Industrial Park to the Airport Enterprise Fund for the development of the airport’s International Technology and Aerospace Park (“ITAP”). The amount due from the Horry County Industrial Park Fund was \$500,000 at June 30, 2010 and 2009.

**Inventories** – Inventories, consisting primarily of aviation gas, jet fuels, supplies, and parts held for consumption are stated at the lower of cost, determined using the first-in, first-out, (“FIFO”) method, or market. Accordingly, the cost is recorded as an asset at the time individual inventory items are purchased and then expended as the supplies and parts are consumed (“consumption method”).

**Restricted Assets** – Restricted assets represent monies or other resources, the use of which is restricted by legal or contractual requirements. At June 30, 2010 and 2009 the Airport's restricted assets accounts were derived from certain grants, bonds, and contract ordinances.

When the Airport incurs an expense that may be paid from unrestricted or restricted funds, the Airport first uses restricted funds as allowed by legal or contractual requirements.

**Facilities** – Prior to March 1993, the Airport used certain airfield facilities of the United States Air Force Base - Myrtle Beach through a joint-use agreement, originally executed in the mid 1970's, with the United States Air Force (“USAF”). Coincident with the execution of the joint-use agreement, the Air Force and Horry County executed the Base Lease Agreement, which leased to the County the acreage on the Air Force Base on which to operate the airport terminal. In March 1993, the base was officially closed and the joint-use agreement was terminated. At the time of closure, the Air Force extended the Base Lease Agreement with the County to include the airfield facilities previously used by the airport in accordance with the joint-use agreement. The term of the Base Lease Agreement was extended to December 31, 2028. The agreement called for the transfer of ownership of the property in fee simple to the County from the USAF for the land and facilities at the end of the lease, but contemplated an earlier transfer based upon the USAF meeting certain criteria set forth in the agreement. The transfer of ownership was completed on June 17, 2003 and a fee simple deed to the property was recorded in the County's name in the Register of Deeds office of Horry County on that date at Deed Book 2623, page number 1491. The property transferred excludes portions of MBIA property, which are still undergoing environmental remediation and cleanup efforts by the United States Government.

With respect to the airfield, aprons, taxiways, drainage system, etc., associated with the USAF property conveyance, no historical or estimated values are available. Until such time that a fair market value can be established, a value of \$1.00 has been recorded representing "Land" and "Aviation Easements". Buildings and structures are being specifically identified and recorded at fair market value at the date of the gift.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Capital Assets and Depreciation** – Capital assets, which include land improvements, buildings, runways, taxiways, vehicles, machinery, and equipment are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Airport as those assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Public domain (“infrastructure”), capital assets (e.g., original airfield – related runway and taxiways (and navigational rights), roads, and other assets that are immovable and of value only to the government) have been capitalized using actual and estimated historical costs. The “modified - approach” of GASB Statement No. 34 was adopted, and accordingly, such assets are not subject to depreciation. Depreciation of all exhaustible capital assets is recorded by using the straight-line method over the estimated useful lives of the respective assets as follows:

Land improvements	20-40 years
Buildings	25 years
Runways and taxiways	30-40 years
Vehicles, machinery, and equipment	3-15 years

**Capitalization of Interest** – Interest costs incurred during the construction phase of capital assets are reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Interest is not capitalized on assets acquired or constructed with gifts and grants (“capital contributions”) that are restricted by the donor or grantor to acquisition of those assets to the extent that funds are available from such grants and gifts. There was no material capitalized interest for the years ended June 30, 2010 and 2009.

**Deferred Charges** – Bond issuance costs incurred are deferred and amortized over the life of the related bond issue using the straight-line method.

**Long-term Obligations** – Long-term debt represents unmatured principal of revenue bonds and note payable indebtedness and outstanding portions due on long-term contracts payable.

**Due to Horry County** – Due to Horry County General Fund, in the amount of \$842,108 and \$784,326 for 2010 and 2009, respectively, is for administrative costs incurred by the County on behalf of the Airport. These costs include processing of payroll, investing, procurement, and other similar expenses. These costs are based upon cost allocation plans prepared annually in accordance with United States Office of Management and Budget guidelines and include an estimate of allocable costs for the year ended June 30, 2010. This estimate will be adjusted to actual upon completion of the cost allocation plans through the year ended June 30, 2010. The resulting adjustment is not expected to be material.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Net Assets** – Net assets comprise the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net assets are classified into three components. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determinations. The second component is restricted net assets, which consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including the entity's self-imposed legal mandates. The final component is unrestricted net assets, which consists of all other net assets not included in the above categories.

**Lease Accounting** – Revenue from terminal building space rentals and other leased sites is accounted for under the operating lease method. Base monthly rentals are computed on the square footage occupied by the tenant times the rent per square foot, which varies, with each tenant. Tenant leases are normally for periods of three to five years with options to renew; however, lease terms provide for early termination by either party with a 30-day notification. Annual rent increases are primarily based on annual increases in the Consumer Price Index, where applicable.

In addition, lease revenues from airlines are based on certain compensatory "signatory" and "non-signatory" airline lease and use agreements, which are subject to annual rate negotiations. Lease costs, if material, are deferred and amortized to expenses over the life of the lease. There were no material lease costs for the year ended June 30, 2010.

**Leased Property Under Capital Lease** – Leased property under capital leases is depreciated using the straight-line method over the term of the lease. Leases are deemed to be capital leases if they meet the criteria as defined in the FASB Codification.

**Grant Revenue and Non-exchange Transactions** – Pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, non-operating grants, passenger and contract facility charges, and other contributed capital have been recognized as non-operating revenue. Grants and fees that are considered to be program-related are recognized as operating revenue. The Airport is a recipient of certain Federal Aviation Administration ("FAA") Airport Improvement Program ("AIP") grants. These capital cost-reimbursed grants have been recognized as non-operating capital contributions. The Airport also receives TSA Security Operations grants which are recognized as operating revenues.

**Passenger Facility Charges** – Passenger Facility Charges ("PFC's") collected pursuant to FAA regulations from enplaned passengers via airlines' remittances are restricted for future construction, capitalization, and related debt services of the Airport as approved by the FAA. On, April 20, 2010, the FAA approved application #10-04-C-00-MYR in the amount of \$104,020,700 to fund the Terminal Capacity Enhancement Program ("TCEP"). The Airport was authorized to impose a PFC of \$4.50 per enplaned passenger beginning June 1, 2010. The approved usage of the PFC's will allow the Airport to utilize PFC's on construction cost in the amount of \$19,000,000 and debt service related expenditures of \$85,020,700.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Contract Facility Charges** – Contract Facility Charges ("CFC's"), collected pursuant to certain agreements on automobile rentals, are restricted for debt service and future construction projects related to automobile rental tenants. On January 1, 2005, the Airport, at the request of car rental companies, increased the CFC's from \$2.00 to \$4.00 per day, in an effort to pay for the new facilities needed when the terminal expansion is completed.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts receivable, signatory airline rebate or surcharge, and certain claims and judgment liabilities, among other accounts. Actual results could differ from those estimates.

**Note 2. Deposits and Investments**

At June 30, 2010, the amounts of the Airport's unrestricted and restricted cash and cash equivalents were \$22,723,316 and \$1,690,251, respectively. The Airport had unrestricted investments of \$22,420,456 and restricted investments of \$28,480,680 at June 30, 2010. All of the Airport's deposits and investment balances at June 30, 2010 and 2009 are insured or collateralized with securities held by the Airport or by its agent in the Airport's name, respectively, and are as follows as of June 30,:

	2010	2009
Cash and cash equivalents:		
Cash on hand and in bank	\$ 11,501,644	\$ 2,873,550
Repurchase agreements	1,565,533	1,553,155
Money Mkts/Certificates of deposit (less than 90 days)	11,346,390	6,189,291
Total cash and cash equivalents	\$ 24,413,567	\$ 10,615,996
Investments:		
Certificates of deposit (greater than 90 days)	\$ 50,901,136	\$ 63,972,114
Total investments	\$ 50,901,136	\$ 63,972,114

The fair value of the Airport's investments approximated their carrying value at June 30, 2010.

During the year ended June 30, 2005, the Airport and the County implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Since the County Treasurer holds all of the Airport's deposits and investments, risk and other required disclosure information may be found in the Comprehensive Annual Financial Report of Horry County for the year ended June 30, 2010.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 3. Restricted Assets**

Restricted assets at June 30, are as follows:

	<u>2010</u>	<u>2009</u>
Revenue Bond Debt Service Principal Account	\$ 575,000	\$ 545,250
Revenue Bond Debt Service Interest Account	298,418	292,706
Revenue Bond Debt Service Reserve Accounts	4,485,713	4,461,969
Restricted for Capital Projects: State of South Carolina, City Myrtle Beach, AIP, Transfer from Horry County	1,428,264	803,104
Cash, investments and receivables relating to:		
Contract Facility Charges (CFC's)	10,190,864	7,719,361
Passenger Facility Charges (PFC's)	14,340,454	13,905,434
Total	<u>\$31,318,713</u>	<u>\$27,727,824</u>

**Note 4. Accounts Receivable**

Accounts receivable at June 30, consists of the following:

	<u>2010</u>	<u>2009</u>
Airfield landing fees	\$ 56,043	\$ 54,614
Leased sites	37,677	47,469
Terminal building	674,646	633,326
FBO Sales and Airport Services	204,501	199,990
Other	14,969	14,130
	<u>987,836</u>	<u>949,529</u>
Less, allowance for doubtful accounts	<u>(294,358)</u>	<u>(294,358)</u>
Net accounts receivable	<u>\$ 693,478</u>	<u>\$ 655,171</u>

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 5. Capital Assets**

A summary of changes in capital assets during the year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<b>Capital Assets</b>				
<b>Not subject to depreciation:</b>				
Land and easements	\$ 22,859,192	\$ 73,698	\$ -	\$ 22,932,890
Infrastructure -- airfield	9,182,000	-	-	9,182,000
Construction in progress	9,958,654	22,031,426	(10,345,710)	21,644,370
Total capital assets not depreciated	<u>41,999,846</u>	<u>22,105,124</u>	<u>(10,345,710)</u>	<u>53,759,260</u>
<b>Subject to depreciation:</b>				
Buildings and improvements	50,257,942	5,574,974	(240,603)	55,592,313
Runways, taxiways and aprons	44,438,268	1,534,939	(272,991)	45,700,216
Machinery and equipment	12,746,797	1,651,970	(1,320,851)	13,077,916
Land improvements	6,668,123	1,656,581	(11,142)	8,313,562
Total capital assets depreciated	<u>114,111,130</u>	<u>10,418,464</u>	<u>(1,845,587)</u>	<u>122,684,007</u>
<b>Less, accumulated depreciation:</b>				
Buildings	(24,840,762)	(1,841,483)	172,585	(26,509,660)
Runways, taxi-ways and apron	(22,346,097)	(1,767,818)	272,991	(23,840,924)
Machinery and equipment	(6,905,612)	(926,658)	1,035,631	(6,796,639)
Land improvements	(3,886,403)	(408,863)	11,142	(4,284,124)
Total accumulated depreciation	<u>(57,978,874)</u>	<u>(4,944,822)</u>	<u>1,492,349</u>	<u>(61,431,347)</u>
Total Capital Assets, net	<u>\$ 98,132,102</u>	<u>\$27,578,766</u>	<u>\$(10,698,948)</u>	<u>\$115,011,920</u>

There was no material interest expense capitalized for the years ended June 30, 2010 or 2009.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 5. Capital Assets (continued)**

The Airport's construction in progress at June 30, 2010, is composed of the following:

	Project Authorization	Expended Through June 30, 2010	Estimated Cost to Complete
T C E P	\$ 135,000,000	\$ 9,641,542	\$ 125,358,458
Myrtle Beach ITAP	520,000	19,234	500,766
HWY-Land Purchase	405,986	14,613	391,373
ARFF Access/Service Road	3,190,742	2,336,175	1,044,746
MYR Wildlife Study	137,800	58,641	79,159
SPCC Spill Prevention	84,300	11,200	73,100
MYR – General Aviation	1,273,158	1,012,088	444,845
ARFF Building Construction	4,271,808	479,291	3,792,517
MYR-South Ramp Expansion	3,936,865	3,500,354	436,511
Airfield Guidance Signs/Redesignation	730,771	629,137	111,635
Construction Taxiway B-2	3,028,077	2,287,204	740,873
MYR – Ramp Rehab	3,523,334	185,129	3,338,205
Conway Ramp Seal Coating	18,800	10,767	8,033
HWY Self-service Fuel Pumps	174,877	45	174,832
Harrelson Blvd	9,800,000	1,154,630	8,645,370
Loris Land Purchase	565,379	304,321	261,058
	<u>\$ 166,661,897</u>	<u>\$ 21,644,371</u>	<u>\$ 145,401,481</u>

The Airport is obligated by the FAA to maintain a current Airport Layout Plan (“ALP”). In order to maintain a current ALP, the Department reviews and updates its Master Plan every five years. The Airport completed the updated ALP in fiscal year 2010.

As of June 30, 2010, the Airport had outstanding purchase orders relating to the projects above of approximately \$7,767,543. Horry County Council has authorized a budget for the TCEP project totaling \$135 million of which \$129,800,000 is for design, construction, & program management and \$5,200,000 is for financing related cost.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 6. Long-term Debt**

**Revenue Bonds Payable**

The following is a summary of changes in long-term debt during the year ended June 30, 2010:

	2009	Additions	Deletions	2010
1997A series, 4.45% to 5.70% due 1998-2027	\$ 1,440,000	\$ —	\$ (45,000)	\$ 1,395,000
1997C series, 4.30% to 5.50% due 1998-2027	2,260,000	—	(70,000)	2,190,000
2000 series, 4.4% to 5.62% due 2002-2020	6,920,000	—	(430,000)	6,490,000
Total revenue bonds payable	10,620,000	—	(545,000)	10,075,000
Less, original issue discount	(90,437)	—	2,207	(88,230)
Less, current maturities	(545,000)	(575,000)	545,000	(575,000)
Less, deferred charges (Series 1990 refunding loss of \$582,191, net of amortization \$226,956 and \$197,353)	(325,632)	—	29,603	(296,029)
Total non-current revenue bonds payable	<u>\$ 9,658,931</u>	<u>\$ (575,000)</u>	<u>\$ 31,810</u>	<u>\$ 9,115,741</u>

Other long-term obligations of the Airport at June 30, 2010 and 2009 are as follows:

	2009	Additions	Deletions	2010
Compensated absences	\$ 1,119,892	\$ 1,111,996	\$(1,119,892)	\$ 1,111,996
Less, current maturities	(279,973)	(277,999)	279,973	(277,999)
Non-current compensated absences	<u>\$ 839,919</u>	<u>\$ 833,997</u>	<u>\$ (839,919)</u>	<u>\$ 833,997</u>
Net other post-employment benefits	<u>\$ 315,901</u>	<u>\$ 130,885</u>	<u>\$ —</u>	<u>\$ 446,786</u>
Due to tenants for capital improvements	\$ 200,000	\$ —	\$ (50,000)	\$ 150,000
Less, current maturities	(50,000)	—	—	(50,000)
Non-current due to tenants	<u>\$ 150,000</u>	<u>\$ —</u>	<u>\$ (50,000)</u>	<u>\$ 100,000</u>
Capital lease obligation – generator	\$ 305,895	\$ —	\$ (40,393)	\$ 265,502
Less, current maturities	(40,393)	(41,810)	40,393	(41,810)
Non-current capital lease obligation	<u>\$ 265,502</u>	<u>\$ (41,810)</u>	<u>\$ —</u>	<u>\$ 223,692</u>

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 6. Long-term Debt (continued)**

Future debt-service requirements to amortize long-term debt outstanding as of June 30, 2010, without effects of mandatory prepayment as described below, are summarized as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2011	\$ 575,000	\$ 536,962	\$ 1,111,962
2012	605,000	507,020	1,112,020
2013	635,000	473,719	1,108,719
2014	665,000	438,664	1,103,664
2015	700,000	401,737	1,101,737
2016-2020	4,115,000	1,375,008	5,490,008
2021-2025	1,915,000	430,691	2,345,691
2026-2027	865,000	74,335	939,335
Total	<u>\$ 10,075,000</u>	<u>\$ 4,238,136</u>	<u>\$ 14,313,136</u>

In October 2000, the County issued \$9,745,000 in Airport Revenue Refunding Bonds with original issue discount of \$25,784 and bond issuance costs of \$321,892. These bonds were issued to refund the \$10,320,000 outstanding principal amount of the \$11,660,000 original principal amount of Airport Revenue Bonds, Series 1990.

In May 1997, the County issued \$26,255,000 in Airport Revenue Bonds with original issue discounts of \$169,000 and bond issuance costs of \$867,000. Proceeds of these bonds were used to pay the costs of certain interests in land and the construction of terminal building improvements, rental car facilities, and curbside improvements at MYR.

The revenue bonds are secured by the pledge of revenues derived by MYR. The Bonds are limited obligations of the County and do not constitute the general obligation, or a pledge of the faith, credit, or taxing power of the County or any other political subdivision. The County has agreed to establish rates and charges for use of MYR services and facilities that are reasonably expected to yield net revenues equal to at least 1.25 times the aggregate debt service to become due on the revenue bonds in the forthcoming fiscal year. Net revenues are defined as revenues less maintenance and operations expenses of MYR. The revenue bond ordinance also requires that certain funds be established and certain financial conditions be maintained.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 6. Long-term Debt (continued)**

**Refunded Debt**

In October 2000, Series 2000 Airport Revenue Refunding Bonds were issued to advance redeem all of the Series 1990 Bonds. The redemption price for these bonds is equal to the principal amount plus a premium ranging up to 2% of the principal amount.

Net proceeds from the Series 2000 Bonds were placed in an irrevocable trust account and accordingly, resulted in a defeasance of the Series 1990 debt. These bonds have been paid in full.

Although the advance refunding resulted in the recognition of an accounting loss of (\$582,191) for the year ended June 30, 2001, the Airport in effect realized an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,166,502.

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the above referenced accounting loss of (\$582,191), has been deferred and netted against the carrying amount of the Series 2000 liability and is being amortized to interest expense over the shorter life of the two issuances. Accordingly, for the year ended June 30, 2010, amortization expense was \$29,603.

**Cash Redemption**

On January 9, 2008, the County redeemed \$3,785,000 of Series 1997A bonds, \$6,935,000 of Series 1997B bonds, and \$550,000 of Series 1997C for a total redemption of \$11,270,000 in principle amount of bonds. The redemption price for these bonds was equal to the principle amount plus a call premium of 2%. The sources of funds for the redemption were \$587,698 of airport cash, \$5,302,647 of PFCs, \$3,348,440 of CFCs, and \$2,273,263 of the reserve accounts held by the bond trustee, Bank of New York, for the redeemed bonds. The County has charged \$569,948 to interest expense for the bond issuance costs and the net original issue discount associated with the redeemed bonds and the call premium.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 6. Long-term Debt (continued)**

**Capital Lease Payable**

During the year ended June 30, 2006, the Airport entered into a ten year non-cancelable lease for a generator for the Airport. The annual interest rate on the lease is 2.87% per annum. The cost and net book value on the generator as of June 30, 2010 and June 30, 2009 is \$425,000 and \$244,375, respectively.

The present values of the minimum lease payments for both leases are as follows:

<u>Year Ended June 30,</u>	<u>Payments</u>
2011	\$ 50,314
2012	50,314
2013	50,314
2014	50,314
2015	50,314
2016	41,928
Total payments	<u>293,498</u>
Less amount representing interest	<u>(27,997)</u>
Present value of future minimum payments	265,501
Less, current portion	<u>(41,809)</u>
Total non-current portion	<u>\$ 223,692</u>

**Due to Tenants for Capital Improvements**

In January 2006, the Airport entered into a lease agreement with Atlanta Air Services (lessee) for hangar space at MYR. Under the terms of the agreement, the lessee was permitted to offset its rental obligations for certain capital improvements made to the premises. During 2006, the lessee completed the necessary capital improvements and as such are due rental credits in the sum of \$300,000 to be applied to the rent payments at \$50,000 annually as shown below:

<u>Year Ended June 30,</u>	<u>Payments</u>
2011	\$ 50,000
2012	50,000
2013	50,000
Total payments	<u>150,000</u>
Less, current portion	<u>(50,000)</u>
Total non-current portion	<u>\$ 100,000</u>

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 7. Other Post-Employment Benefits**

From an accrual perspective, the cost of other post-employment healthcare benefits (“OPEB”), like the cost of pension benefits, generally should be associated with the periods in which that cost occurs. In adopting GASB Statement No. 45 during the year ended June 30, 2008, prospectively, the Airport recognized the ARC (Annual Required Contribution) associated with OPEB as an expense and the liability associated with the NOO net OPEB obligations. The ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial accrued liability over a period of thirty years.

**Plan Description**

Employees of Horry County Government are eligible to receive full retiree health care benefits. Members are eligible at the age of 60 or with 28 years of service for SCRS retirement and age 55 or with 25 years of service for PORS retirement. The vesting schedule for retirees is as follows:

**Percentage of Insurance premiums Paid by Employer for Regular Retirees (SCRS)**

Years of Service	Age of Retirement							
	55	56	57	58	59	60	61	62
15	50%	50%	50%	50%	50%	50%	50%	50%
23	75%	75%	75%	75%	75%	75%	75%	75%
28+	100%	100%	100%	100%	100%	100%	100%	100%

**Percentage of Insurance premiums Paid by Employer for Police Retirees (PORS)**

Years of Service	Age of Retirement							
	55	56	57	58	59	60	61	62
15	50%	50%	50%	50%	50%	50%	50%	50%
21	75%	75%	75%	75%	75%	75%	75%	75%
25+	100%	100%	100%	100%	100%	100%	100%	100%

Employees who terminate employment are not eligible for retiree health care benefits. Survivors of employees who die while actively employed are not eligible for retiree health benefits. However, they are eligible for survivors insurance for one year at no cost to the surviving spouse, after that, the member has the option of selecting other insurance or continuing coverage at the surviving spouse’s expense. Employees who retire under disability retirement are eligible for retiree health care benefits based on the years of service provided in the chart or at the member’s expense depending on years of service. Spouses of retired employees are eligible to receive retiree health care benefits at member’s cost. Retirees are required to enroll in Medicare once eligible. Retiree pays full Medicare premiums. Horry County Government coverage continues when retiree becomes eligible for Medicare. Once the employee is eligible for Medicare, actively retired county insurance becomes secondary. Employees and spouses retiring with retiree health care benefits are eligible for Horry County Government paid dental benefits. Retirees who decide to opt-out of the health care plan will be eligible to opt back in when coverage from another entity ceases. There is no additional stipend provided for those who opt-out. The Airport currently has 109 active employees and no retired members are eligible for OPEB.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 7. Other Post-Employment Benefits (continued)**

**Funding Policy**

Horry County currently pays for post-employment benefits on a pay-as-you-go basis. The Airport has no retirees eligible for OPEB as of June 30, 2009 and June 30, 2010, respectively; therefore, only implicit contributions were made. Horry County is currently studying various funding alternatives and/or modifications to the existing plan. These financial statements assume that a pay-as-you-go funding policy will continue.

**Annual OPEB costs and Net OPEB Obligation**

The Airport had an actuarial valuation performed for the plan as of June 30, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution ("ARC") for the fiscal year ended June 30, 2010. The airport's annual OPEB cost of \$155,363 in the year ended June 30, 2009 is equal to the ARC for this fiscal year since the transition liability was set at zero as of June 30, 2007. The Airport's annual OPEB costs and the net OPEB obligation for the years ended June 30, were as follows:

	<u>2010</u>	<u>2009</u>
Employer Normal Cost	\$ 91,164	\$ 105,909
Amortization of UAAL*	48,771	49,454
Annual Required Contribution (ARC)	<u>139,935</u>	<u>155,363</u>
Increase ARC -3%	—	4,661
ARC Adjustment	(13,171)	(6,477)
Interest on Net Obligation	<u>14,216</u>	<u>6,991</u>
Annual OPEB Cost - Current Year	<u>140,980</u>	<u>160,538</u>
Contributions made	(10,095)	—
Beginning Balance	<u>315,901</u>	<u>155,363</u>
Net OPEB Obligation end of year	<u>\$ 446,786</u>	<u>\$ 315,901</u>

\* Unfunded Actuarial Accrued Liabilities ("UAAL") are being amortized over 30 years.

Funded status and Funding Progress of the plan as of June 30, 2010 was as follows:

<b>Present Value of Future Benefits:</b>	
Retirees & Beneficiaries	\$ —
Vested Terminated Members	—
Active Members	<u>2,377,582</u>
Total Present Value of Future Benefits	<u>\$ 2,377,582</u>
Present Value of Future Normal Costs	\$ 1,241,872
Actuarial Accrued Liabilities	\$ 1,135,710
Actuarial Value of Assets	—
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,135,710
Funded Ratio	—
Covered payroll (active plan members)	\$ 4,202,436
UAAL as a percentage of covered payroll	27.03%

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 7. Other Post-Employment Benefits (continued)**

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

In the June 30, 2009, actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent of payroll (assumed to increase 3%) required to fully amortize the UAAL over a 30-year period (closed). The actuarial assumptions included 4.5% rate of investment return. The valuation assumes a 9.0% health care trend inflation rate for 2008 and decreases 5% each year until 2017, for 2018 and thereafter 4.5% was assumed. General inflation is assumed to be 3.0% per year. No trust fund was established so no separate audit report is available.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 8. Net Assets**

Net assets represent the difference between total assets and liabilities. Reconciliations of the components of net assets amounts are as follows:

	2010	2009
<b>Invested in Capital Assets, Net of Related Debt</b>		
Net capital assets	\$ 93,367,550	\$ 88,173,448
Construction in progress	21,644,370	9,958,654
Less:		
Retainage payable	(453,254)	(285,330)
Revenue bonds payable, net	(9,690,741)	(10,203,931)
Capital lease payable	(265,501)	(305,895)
Due to tenants for capital improvements	(150,000)	(200,000)
Invested in capital assets, net of related debt	\$ 104,452,424	\$ 87,136,946
 <b>Restricted for Debt Service</b>		
Debt service payment accounts	\$ 873,418	\$ 837,956
PFC's and CFC's (2009 – held for debt service)	—	21,624,795
Revenue bond reserve accounts:		
Debt service reserve	692,118	715,199
Operations and maintenance reserve	2,735,265	2,713,437
Contingent reserve	600,000	600,000
Depreciation reserve	458,333	433,333
Less: Current liabilities payable from restricted assets	(850,335)	(833,255)
Restricted for debt service	\$ 4,508,799	\$ 26,091,465
 <b>Restricted for Capital Projects</b>		
Capital Projects	\$ 1,428,264	\$ 803,104
PFC and CFC (pay-go funding)	24,531,318	—
	\$ 25,959,582	\$ 803,104
 <b>Unrestricted</b>	\$ 41,989,000	\$ 45,252,956
<b>Total net assets</b>	\$ 176,909,805	\$ 159,284,471

In FY2010, the Airport received approval from the FAA (PFC Application # 10-04-C-00-MYR) to utilize the PFC's currently held by the Airport as restricted assets to fund the TCEP program. Future PFC's collections will fund the remainder of the authorized project cost and pay future debt service. In 2010, it was decided not to issue CFC related debt to fund the car rental portion of the TCEP project, but rather utilize the CFC's on a pay-as-you-go basis to fund construction.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 9. Operating Leases - Lessor Agreements**

The Airport derives a substantial portion of its revenues from charges to air carriers, aeronautical schools, and concessionaires. Substantially all of the assets classified as fixed assets in the balance sheet are held by the Airport for the purpose of rental or related use. The Airport, as lessor, leases land, buildings, and terminal space to air carriers, aeronautical schools, and concessionaires on a fixed fee as well as a contingent fee basis. All leases of the Airport are treated as operating leases for accounting purposes. Most of the leases provide for an annual review and redetermination of the rental amounts. The North American Institute of Aviation (“NAIA”) filed bankruptcy on February 16, 2010 and ceased operations at the Conway-Horry County Airport. The Airport staff is operating the FBO at the Conway – Horry County Airport until a new operator can be located.

The following is a schedule of future minimum rentals receivable on non-cancelable operating leases as of June 30, 2010:

Year Ended June 30	Total
2011	\$ 6,825,815
2012	4,865,630
2013	1,596,589
2014	612,272
2015	130,349
2016 to 2020	651,745
2021	130,349
<b>Total</b>	<b>\$14,812,749</b>

**Historical Cost of Leased Assets** - The total historical cost and net book value of certain property leased to parties external to the County reporting entity is \$42,339,914 and \$20,143,677, respectively at June 30, 2010.

**Note 10. Signatory Airlines Agreements**

The County has entered into separate, but substantially similar, Signatory Airline Contract and Use Agreements (the “Signatory Airline Agreements”) with four passenger airlines. The Signatory Airline Agreements had an original term commencing July 1, 2002 and terminating June 30, 2007, but remain in effect on a month-to-month holdover basis. The holdover term under each Signatory Airline Agreement may be terminated by either the County or the Signatory Airline upon 30 days notice. Additionally, the County has entered into an Indirect Air Carrier Contract and Airport Use Agreement (the “Indirect Signatory Airline Agreement”) dated as of July 1, 2007 with one indirect air carrier operating at MYR for a term ending at the earlier of June 30, 2012 and the date at which the Signatory Airline Agreements are no longer in effect. As of June 30, 2010, Spirit Airlines, USAirways, Delta Airlines (“System”) and United Airlines were signatory airlines. Additionally, DirectAir was a signatory indirect air carrier as of June 30, 2010. Collectively, these five carriers are called “Signatory Airlines”. On July 1, 2010, Continental Airlines became a signatory airline.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 10. Signatory Airlines Agreements (continued)**

The Signatory Airline Agreements and Indirect Signatory Airline Agreement cover the use of and rate-setting mechanisms for the airfield and terminal facilities at the Airport. Interim rates charged during the fiscal year are subject to a retroactive adjustment based upon actual year-end costs and activity levels (the "Settlement"). Any Settlement owed to the Signatory Airlines is applied to any balance owed by the airlines for rates and charges. For the fiscal year ended June 30, 2010, the County estimates the Settlement due to the Signatory Airlines is \$260,000. This amount is included in amounts due to tenants on the accompanying Statements of Net Assets.

The County has also entered into agreements with airlines that serve the Airport and are not parties to Signatory Airline Agreements or Signatory Indirect Airline Agreements (the "Non-signatory Airlines"). The County assesses fees, rentals, and charges to the Non-Signatory Airlines at 125% of the fees, rentals, and charges charged to the Signatory Airlines. The Non-Signatory Airlines do not participate in the year-end Settlement. As of June 30, 2010, the Non-Signatory Airlines operating at the Airport were Allegiant Air, American Airlines, Continental Airlines, and Porter Airlines.

The County's Air Service Development Program that began in September 2008 and continued for fiscal year 2010 provided, at the County's sole discretion, for reduced landing fees from \$1.97 to \$0.50, with all landing fees waived for the months of December, January, and February, which reduced landing fee revenue by approximately \$1.4 million. The airport also waived airline fees of \$172,574 as incentives for new service. The County has agreed to extend the Air Service Development program, albeit with lower reductions in fees, through June 30, 2011.

USAirways, Spirit Airlines, United Airlines, and Delta Airlines ("System") were signatory airlines as of June 30, 2010. Direct Air was a signatory indirect air carrier as of June 30, 2010.

**Note 11. Major Customers and Economic Condition**

Airline revenues, leases, concessions, and rental car activities, generate approximately 76% of the Airport's revenues or just over \$12.4 million of the \$16.2 million net operating revenue. Signatory Airlines generate \$ 3.7 million in revenue after surcharges.

Rates and charges of Signatory Airlines, which serve MYR, represented 22% in 2010 and 24% in 2009, of the total operating revenues reported for MYR. Of the leading Signatory Airline carriers, Spirit Airlines represents 38% of the airline traffic, U.S. Airways 26%, Delta Airlines ("System") 14%, United Airlines 3% and Direct Air 8%.

US Airways, Spirit Airlines, United Airlines, and Delta Airlines ("System") are currently Signatory airlines. Direct Air is a signatory indirect air carrier.

For the year ended June 30, 2010, three customers make up approximately 69% of the accounts receivable balance. For the year ended June 30, 2009, three customers made up approximately 44% of the accounts receivable balance.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 12. Employee Benefit Plans**

All full-time, permanent Airport employees, except for police department personnel, participate in the South Carolina Retirement System ("SCRS"), a cost-sharing, multiple employer, public employee retirement system. County policemen participate in the South Carolina Police Officer's Retirement System ("SCPORS"), a cost-sharing, multiple employer public employee retirement system. The Airport's total covered payroll for the year ended June 30, 2010, was \$4,168,546, of which \$3,140,212 and \$1,028,334 was for employees covered by the SCRS and the SCPORS, respectively. The Airport's total covered payroll for the year ended June 30, 2009, was \$4,237,218, of which \$3,170,734 and \$1,066,484 was for employees covered by the SCRS and the SCPORS, respectively. The Airport's total covered payroll for the year ended June 30, 2008, was \$4,056,617, of which \$3,009,710 and \$1,046,907 was for employees covered by the SCRS and the SCPORS, respectively.

Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The plans' provisions are established under Title 9 of the South Carolina Code of Law.

Both employees and the Airport are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The Airport's contributions are actuarially determined, but are communicated to and paid by the Airport as a percentage of the employee's annual earnings.

The Airport's contributions to the SCRS for employer and employee portions for the year ended June 30, 2010, expressed as a dollar amount and as a percentage of covered payroll in 2010, were \$294,866 and 9.39%, and \$204,113 and 6.50%, respectively, and the contributions to the SCPORS for the employer and employee portions were \$113,631 and 11.05%, and \$66,842 and 6.50%, respectively. The Airport's contributions to the SCRS for employer and employee portions for the year ended June 30, 2009, were \$297,732 and 9.39%, and \$206,098 and 6.50%, respectively, and the contributions to the SCPORS for the employer and employee portions were \$117,846 and 11.05%, and \$69,322 and 6.50%, respectively. The Airport's contributions to the SCRS for employer and employee portions for the year ended June 30, 2008, expressed as a dollar amount and as a percentage of covered payroll in 2009, were \$277,194 and 9.21%, and \$195,631 and 6.5%, respectively, and the contributions to the SCPORS for the employer and employee portions were \$112,019 and 10.7%, and \$68,049 and 6.5%, respectively.

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, South Carolina 29211-1960.

**Note 13. Commitments and Contingencies**

**Grants** – During the year ended June 30, 2010, the Airport received grants from the FAA to fund certain improvements and expansions. In connection with these grants, the Airport is obligated to administer the program and spend the grant monies in accordance with regulatory restrictions and is subject to audit by the grantor agency.

Department of Airports  
Horry County, South Carolina  
Notes to Financial Statements

**Note 13. Commitments and Contingencies (continued)**

**Litigation** – The Airport is included in various pending and threatened claims and legal actions pertaining to the normal course of its business activities. In the opinion of the Airport's management, the ultimate resolution of these contingencies individually or in the aggregate will not have a material adverse effect on the Airport's financial position or results of operations.

On September 19, 2009, a Stipulation of Dismissal along with a Settlement Agreement were filed in Civil Action No.: 03-CP-26-5436, Horry County v. A-1 Masonry, et al., making the settlement of the case effective on that date. According to the settlement, in consideration of payment to it in the amount of \$1,029,961, Horry County has settled its claims against all parties.

**Note 14. Aviation Fund**

The City of Myrtle Beach receives certain revenues from leases of certain parcels near the Airport. In April 2004, the City of Myrtle Beach and the County entered into an agreement which, among other things, provides that all lease proceeds received by the City of Myrtle Beach shall be divided, whereby the Airport receives 75% of the proceeds and the City retains 25%. As part of the agreement, the Airport is required to spend \$6 million on improvements to Harrelson Boulevard.

The Airport recognized \$2,028,157 and \$1,725,761, respectively, in non-operating revenues for funds received from the City of Myrtle Beach during the years ended June 30, 2010 and 2009.

**Note 15. Risk Management**

The Airport is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation; and natural disasters for which commercial insurance is carried. The Airport carries commercial insurance to cover all losses, excluding vehicle comprehensive and collision coverage and including workers' compensation. During the year ended June 30, 2010, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the County's coverage in any of the past four years.

**Note 16. Subsequent Events**

On September 21, 2010 Horry County Council gave first reading approval for Ordinance 77-10 and Ordinance 78-10 authorizing issuance of Airport Revenue Bonds of Horry County, South Carolina; providing for the terms and conditions upon which the bonds may be issued; providing for the use of the proceeds of the bonds; providing for the payment and security of the bonds; and providing for other matters in connection therewith and the issuance of not exceeding \$77.5 million principal amount of Airport Revenue Bonds, in two series. These bonds will be used to fund part of the Terminal Capacity Enhancement Program.

Department of Airports  
Horry County, South Carolina  
Combining Statement of Revenues, Expenses, and  
Changes In Net Assets  
Myrtle Beach International Airport and All Other Airports  
year ended June 30, 2010

	Myrtle Beach International Airport	All Other Airports	Totals
<b>Operating Revenues</b>			
Concessions and rentals	\$ 5,950,119	\$ —	\$ 5,950,119
Fuel sales - FBO	3,487,256	—	3,487,256
Airline terminal rents	4,087,447	—	4,087,447
Landing fees	551,637	—	551,637
Leases	773,097	329,622	1,102,719
Other airline services	591,997	—	591,997
Other	574,408	—	574,408
Federal revenue - TSA LEO reimbursement program	114,756	—	114,756
Security fees	209,056	—	209,056
Total operating revenues	<u>16,339,773</u>	<u>329,622</u>	<u>16,669,395</u>
Less, signatory airline contract operating rebate & incentive fee waivers	(432,574)	—	(432,574)
Net operating revenues	<u>15,907,199</u>	<u>329,622</u>	<u>16,236,821</u>
<b>Operating Expenses</b>			
Salaries and benefits	5,673,300	185,292	5,858,592
Depreciation and amortization	4,156,986	809,394	4,966,380
Fuel cost of sales	2,410,014	—	2,410,014
Outside and professional services	728,331	39,535	767,866
Utilities	878,660	46,076	924,736
Maintenance and supplies	567,294	31,070	598,364
Horry County administrative costs	341,342	14,076	355,418
Vehicle and equipment (non-capital) expense	357,647	9,034	366,681
Insurance	216,772	32,390	249,162
Dues, memberships, and travel	144,603	3,942	148,545
Office supplies	26,330	125	26,455
Total operating expenses	<u>15,501,279</u>	<u>1,170,934</u>	<u>16,672,213</u>
Operating income (loss)	<u>\$ 405,920</u>	<u>\$ (841,312)</u>	<u>\$ (435,392)</u>

Horry County, South Carolina  
Combining Statement of Revenues, Expenses, and  
Changes In Net Assets  
Myrtle Beach International Airport and All Other Airports  
year ended June 30, 2010

	Myrtle Beach International Airport	All Other Airports	Totals
<b>Non-Operating Revenue (Expenses)</b>			
Passenger Facility Charges (PFC's)	\$ 287,472	\$ —	\$ 287,472
Contract Facility Charges (CFC's)	2,378,146	—	2,378,146
Interest income	731,142	—	731,142
Intergovernmental revenues- City of Myrtle Beach	2,028,157	—	2,028,157
Redevelopment Authority grant revenue	563,821	—	563,821
Revenue - Utility Companies for ITAP	625,000	—	625,000
Loss on disposal of assets	(352,180)	—	(352,180)
Building demolition expense	(94,138)	—	(94,138)
Interest expense	(592,283)	—	(592,283)
Net non-operating revenue	<u>5,575,137</u>	<u>—</u>	<u>5,575,137</u>
Income (loss) before capital contributions	5,981,057	(841,312)	5,139,745
<b>Capital Contributions</b>			
Federal grant revenue - capital projects	10,209,347	1,497,767	11,707,114
State grant revenue - capital projects	704,776	—	704,776
Contributed capital - City of Myrtle Beach - land	73,699	—	73,699
Net change in net assets	<u>\$ 16,968,879</u>	<u>\$ 656,455</u>	<u>\$ 17,625,334</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

Department of Airports  
 Horry County, South Carolina  
 Required Supplementary Information for Governments that Use the  
 Modified Approach for Infrastructure Assets  
 year ended June 30, 2010

**Condition Rating and Actual Maintenance/Preservation of Airport's Infrastructure**

The most recent complete condition assessment of the Airport's infrastructure assets is as follows (year of assessment shown in):

<u>Infrastructure Systems</u>	<u>Area Weighted PCI Value</u>
Airfield runways for: (2009)	
Myrtle Beach International (2009)	65
General Aviation: Conway (2001)	65
Grand Strand (2001)	76
Loris (2001)	27

The basis for the condition measurement of airfield systems using the Pavement Condition Index ("PCI") are distresses found in the pavement surfaces. A scale used to assess and report conditions could range from zero for a failed pavement to 100 for a pavement in excellent condition. Generally, ratings 71 and above are candidates for routine preventative maintenance; 41-70 for major rehabilitation; and below 40 for major reconstruction. Additionally, the basis for the condition measurement of airfield-related runways, taxiways, aprons, etc. systems is based on the Airports' Master Plan which is periodically updated as part of the FAA required Airport Layout Plan ("ALP").

The Airport has completed a PCI study for Myrtle Beach International Airport ("MYR") in fiscal year 09. The State of South Carolina has advised the Airport that they expect to complete a PCI study on the state's general aviation airports, including Grand Strand ("CRE"), Conway/Horry County ("HYW") and Loris ("5J9"), within the next fiscal year.

As of June 30, 2010, the Airport's airfield infrastructure systems of MYR, HYW, 5J9 and CRE are considered by management to be good or better condition. The Department completed a project that rehabilitated MYR Taxiway "A" South and a portion of MYR Runway 18-36 at a cost of approximately \$3.8 million. Work was also completed in 2004 on the re-surfacing of the runway and a portion of the apron at HYW. A \$300,000 overlay of the 5J9 runway was completed in fiscal year 04, however, a new condition assessment has not been completed as of June 30, 2010. Therefore, the PCI Value of 27 for 5J9 above does not take into account the overlay. A pavement rejuvenation program at CRE and HYW was completed in fiscal year 05. The Airport intends to preserve its eligible infrastructure in accordance with its current ALP's and as required by the FAA.

The Airport is obligated by the FAA to maintain a current ALP for its airports. In order to maintain a current ALP, the Airport is required to review its Master Plan every five years and update if necessary. The MYR ALP was updated in fiscal year 2009. The Master Plan forecasts activities and needs of the Airport for a 20-year period.

## Independent Auditors' Report

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The Honorable Chairman and Members of County Council  
Horry County, South Carolina

We have audited the accompanying basic financial statements and the combining statement of revenues, expenses, and changes in net assets - Myrtle Beach International Airport and all other airports of the Department of Airports, Horry County, South Carolina (the "Airport"), as listed in the table of contents, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the Airport's management. Our responsibility is to express opinions on these financial statements based on our audits. The prior year comparative information presented has been derived from the Airport's 2009 audited financial statements and, in our report dated October 24, 2009, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements referred to above present only the financial position, changes in financial position, and cash flows for its proprietary fund type of only that portion of the funds of Horry County, South Carolina, that is attributable to the transactions of the Airport, an enterprise fund of Horry County, South Carolina. They do not purport to and do not present the financial position, changes in financial position, and cash flows of Horry County, South Carolina or its other agencies, institutions, departments, or funds as of and for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Airports, Horry County, South Carolina, as of June 30, 2010, and the changes in its financial position and its cash flows, and the changes in financial position of Myrtle Beach International Airport and all other airports, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2010 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Scott and Company LLP*

Columbia, South Carolina  
September 24, 2010

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REPORT OF THE AIRPORT CONSULTANT

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## APPENDIX B

Horry County, South Carolina  
Myrtle Beach International Airport  
Series 2010 Bonds

### **REPORT OF THE AIRPORT CONSULTANT**

**October 26, 2010**

Ricondo & Associates, Inc.  
105 East Fourth Street, Suite 1700  
Cincinnati, OH 45202  
513.651.4700 telephone  
513.412.3570 facsimile

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October 26, 2010

Mr. Michael La Pier, A.A.E.  
Director of Airports  
Horry County Department of Airports  
1100 Jetport Road  
Myrtle Beach, South Carolina 29577

**Re:   *Horry County  
Airport Revenue Bonds Series 2010  
Appendix B: Report of the Airport Consultant***

Dear Mr. LaPier:

This report sets forth findings, assumptions, and projections of the air traffic and financial analyses developed by Ricondo & Associates, Inc. (R&A), in conjunction with the planned issuance by Horry County, South Carolina (the County) of its Airport Revenue Bonds Series 2010 (Series 2010 Bonds), in order to pay for the capital improvements to the Myrtle Beach International Airport (the Airport) as discussed below. This report is intended for inclusion in the Official Statement for the Series 2010 Bonds as Appendix B: Report of the Airport Consultant.

The Series 2010 Bonds are being issued pursuant to various provisions in County Ordinances No. 77-10 and No. 78-10 enacted by the County on October 19, 2010 (the Bond Ordinance). The Series 2010 Bonds will provide funds, along with other available funds of the County, to: 1) fund a portion of the Terminal Capacity Enhancement Project (TCEP) and the Harrelson Boulevard Improvements, collectively referred to as the Program; 2) fund capitalized interest; 3) fund the required Debt Service Reserve Fund deposits with respect to the Series 2010 Bonds, and 4) pay costs of issuance of the Series 2010 Bonds. The Series 2010 Bonds are to be paid from and secured by Revenues remaining after the payment of Operation and Maintenance Expenses (each of which as defined in the Bond Ordinance).

The TCEP will enhance capacity at the Airport as the existing terminal building and site infrastructure at the Airport are not adequately sized to accommodate the current volume of passenger activity and are not able to properly serve projected passenger volumes. The TCEP consists of: construction of a new terminal building, improvements to existing terminal facilities, various supporting airside improvements, and landside improvements. In addition to the TCEP,



Mr. Michael La Pier, A.A.E.  
Horry County Department of Airports  
October 26, 2010  
Page 2

Harrelson Boulevard, the existing traffic artery serving the Airport, is being reconfigured to connect US Highway 17 Business to US Highway 17 By-Pass.

Additionally, prior to the issuance of the Series 2010 Bonds, the County plans to redeem, from Airport funds, all outstanding Series 1997A Bonds, all outstanding Series 1997C Bonds, and all outstanding Series 2000 Bonds. The Series 1997A Bonds, the Series 1997C Bonds, and the Series 2000 Bonds were originally issued pursuant to a previous bond ordinance. Following the proposed redemption of these series, the Series 2010 Bonds will be the only outstanding debt of the County that is payable from Airport Revenues.

This report includes examinations of the underlying economic base of the Air Trade Area (as defined in this report) for the Airport, historical and projected air traffic activity at the Airport; a description of existing Airport facilities and the planned Program; and projected Net Revenues (defined in the Bond Ordinance as Revenues less Operation and Maintenance Expense, net of Operation and Maintenance Expenses paid from Non-System Amounts<sup>1</sup>) and debt service coverage ratio, with consideration for the anticipated impacts of the Program through fiscal year (FY) 2016.<sup>2</sup>

On the basis of the assumptions and analyses described in this report, R&A is of the opinion that Net Revenues (which includes Available PFC Revenues as defined in the Bond Ordinance), will be adequate to meet the Department of Airports' rate covenant as set forth in the Bond Ordinance (Rate Covenant), during the projection period (through FY 2016). Additional findings of these analyses include the following:

### ***Economic Base***

- The Air Trade Area is recognized as one of the nation's top leisure destinations primarily due to the quality and large quantity of golf courses in the area to choose from, as well as its mild climate, stretch of beaches along the Atlantic Ocean, shopping facilities, and numerous other attractions and recreational activities. In May 2010, *USA Today* named Myrtle Beach one of the "Top 5 Bargain Destinations for Summer 2010." In 2009, in *Southern Living* magazine's Reader's Choice Awards, the Grand Strand was named as the "Favorite Beach" the "Favorite Family Destination" and the "Favorite Weekend Getaway." In 2007, in a Yahoo! Travel poll, the Grand Strand won first place as the "World's Best Beach" based on consumer ratings collected through the online travel site.
- Population growth in the Air Trade Area was more than twice that experienced for South Carolina and the nation between 1990 and 2009. Population growth for the Air Trade

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<sup>1</sup> Certain receipts from a city-operated campground facility payable under contract to the County for Airport purposes, see Section 4.1.2.

<sup>2</sup> The Department of Airport's fiscal year is the 12-month period ending June 30.



Mr. Michael La Pier, A.A.E.  
Horry County Department of Airports  
October 26, 2010  
Page 3

Area is expected to continue to increase at a rate that is twice the rate projected for South Carolina and the nation through 2016.

- The Air Trade Area's civilian labor force experienced relatively rapid growth between 1999 and 2009. The compounded annual growth rate (CAGR) for the Air Trade Area civilian labor force was 2.3 percent, compared to 1.1 and 1.0 percent for South Carolina and the United States, respectively, during the same period.
- Nonagricultural employment in the Air Trade Area increased at a CAGR of 1.2 percent compared to a compounded annual decrease of 0.1 percent nationwide between 2001 and 2009. The services industry has the highest percentage of employment in the Air Trade Area, followed by wholesale and retail trade combined.
- Growth in per capita personal income for the Air Trade Area was slower than what was experienced in South Carolina and the nation between 2002 and 2009. Air Trade Area per capita personal income is projected to increase at a slightly slower rate than South Carolina and the nation between 2009 and 2016. However, according to a May 2010 study in *Kiplinger's Personal Finance* magazine, the cost of living in the Air Trade Area is approximately nine percent below the national average.
- The economic base of the Air Trade Area is strong and diversified, and is capable of supporting increased demand for origin-destination (O&D) passenger traffic at the Airport during the projection period.

### ***Air Traffic***

- As of June 2010, the Airport had scheduled passenger service provided by 17 U.S. carriers. Scheduled service at the Airport is provided by six of the nation's 15 major U.S. passenger airlines.
- The Airport is classified by the Federal Aviation Administration (FAA) as a small hub airport based on its percentage of nationwide enplanements in CY 2009.<sup>3</sup> Passenger enplanements at the Airport totaled 765,156 in FY 2010.
- For August 2010, weekly nonstop service was provided to 17 cities with a total of 240 weekly flights. Ten of the Airport's top twenty O&D markets are provided nonstop service.
- Passenger activity at the Airport has fluctuated year over year, generally increasing from 712,282 enplanements in FY 2000 to 765,156 in FY 2010, a CAGR of 0.7 percent. From

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<sup>3</sup> As defined by the FAA, a small hub airport enplanes between 0.05 percent and 0.25 percent of nationwide enplanements during a calendar year. This percentage range of nationwide enplanements equates to 349,400 to 1,701,300 passengers in CY 2009, the latest calendar year for determining airport hub size.



Mr. Michael La Pier, A.A.E.  
Horry County Department of Airports  
October 26, 2010  
Page 4

FY 2000 to FY 2003, Airport enplanements decreased at a compounded annual rate of 4.4 percent, as a result of the September 11, 2001 attacks and economic slowdown. Since 2003, Airport enplanements have increased in each year with the exception of FY 2006 and FY 2009. Airport enplanements increased at a CAGR of 3.0 percent from FY 2003 to FY 2010.

- Several airlines have recently expanded service at the Airport, including: Delta's increased frequency and aircraft size to Atlanta, Spirit's addition of nonstop seasonal service to Atlanta, Allegiant's new service to Grand Rapids, and the initiation of American Eagle service in late FY 2010. As a result, total passenger airline enplanements are projected to increase from 765,156 in FY 2010 to 811,400 in FY 2011, an increase of 6.0 percent. Beyond FY 2011, total airline enplanements are projected to increase from 811,400 in FY 2011 to 912,900 in FY 2016, representing a CAGR of 2.4 percent during this period. Overall, passenger airline enplanements at the Airport are projected to increase by a CAGR of 3.0 percent from FY 2010 to FY 2016.

### ***Financial Analysis***

- Total Operation and Maintenance Expenses (O&M Expenses) equaled \$11.3 million in FY 2010 and are projected to increase to approximately \$19.5 million by FY 2016. This projected increase in O&M Expenses represents a CAGR of 9.5 percent, inclusive of incremental costs as a result of the TCEP.
- Total non-airline revenues equaled approximately \$12.2 million in FY 2010 and are projected to increase to approximately \$15.2 million in FY 2016. This increase represents a CAGR of 3.7 percent for FY 2011 through FY 2016.
- In FY 2010, terminal rental revenue equaled approximately \$4.1 million. Terminal rental revenue is projected to reach \$4.7 million in FY 2016.
- Adjusted landing fee revenue in FY 2010 was approximately \$552,000, which includes a \$1.5 million landing fee waiver. From FY 2011 to FY 2016, adjusted landing fee revenue, which includes a projected landing fee waiver equal to one third of the calculated landing fee revenue, is projected to increase each year and equal \$1.8 million at the end of the described period.
- The average airline cost per enplaned passenger is projected to remain reasonable for the projection period. The average airline cost per enplanement decreased from \$6.48 in FY 2009 to \$5.77 in FY 2010, which is primarily the result of the landing fee waiver applied in FY 2010. In FY 2011, the average cost per enplaned passenger is budgeted to increase to \$7.03, which is primarily the result of a reduced landing fee waiver. The average cost



Mr. Michael La Pier, A.A.E.  
Horry County Department of Airports  
October 26, 2010  
Page 5

- per enplaned passenger is projected to decrease to \$6.98 in FY 2012 and thereafter, increase steadily each year through the projection period and equal \$7.43 in FY 2016.
- The debt service coverage ratio equaled 7.54x in FY 2009 and 6.75x in FY 2010 as defined under the Bond Ordinance. As a result of the redemption of the outstanding Series 1997A, Series 1997C, and Series 2000 Bonds in the middle of FY 2011, projected debt service for FY 2011 is \$218,000 compared to \$1.1 million the previous year; thus the debt service coverage ratio is projected to increase to 36.81x. In FY 2012, the only planned debt service is the first semi-annual payment on the Series 2010B Bonds, which is estimated at approximately \$198,000, resulting in a debt service coverage ratio of 32.03x. Reflecting the effect of the opening of the expanded facility and increased debt service associated with the expiration of the capitalized interest period and the commencement of amortization of the Series 2010A Bonds, the debt service coverage ratio is projected to decrease to 4.03x in FY 2013, and to 2.23x in FY 2014, the first full year of operations in the expanded facility. Pledged revenue, debt service, and debt service coverage is projected to remain relatively stable from FY 2014 through FY 2016.
  - Based on its financial forecast, R&A is of the opinion that the Net Revenues (as defined in the Bond Ordinance) generated will be sufficient to meet or exceed the Rate Covenant as set forth in the Bond Ordinance, which requires that Net Revenues equal a minimum of 125 percent of the annual debt service.

Except as defined otherwise, the capitalized terms used in this report are as defined in the Bond Ordinance. The techniques used in this report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes the approach and assumptions utilized are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of projections described in this report, therefore, is dependent upon the occurrence of future events, and variations may be material.

Sincerely,

RICONDO & ASSOCIATES, INC.

**TABLE OF CONTENTS**

- I. Economic Base for Air Transportation ..... B-11
  - 1.1 Air Trade Area ..... B-11
  - 1.2 Population ..... B-13
  - 1.3 Income ..... B-13
  - 1.4 Employment..... B-16
  - 1.5 Economic Base ..... B-16
  - 1.6 Quality of Life ..... B-30
  - 1.7 Summary ..... B-30
  
- II. Air Traffic ..... B-32
  - 2.1 Airlines Serving the Airport..... B-32
  - 2.2 Historical Passenger Activity..... B-36
  - 2.3 Historical Air Service ..... B-39
  - 2.4 Historical Aircraft Operations and Landed Weight ..... B-42
  - 2.5 Factors Affecting Aviation Demand and the Airline Industry ..... B-45
  - 2.6 Projections of Aviation Demand..... B-50
  
- III. Airport Facilities and Capital Program ..... B-59
  - 3.1 Existing Airport Facilities..... B-59
  - 3.2 The Terminal Expansion Project ..... B-61
  - 3.3 Harrelson Boulevard Improvements ..... B-66
  - 3.4 Ancillary Capital Projects ..... B-66
  
- IV. Financial Analysis..... B-68
  - 4.1 Financial Structure ..... B-68
  - 4.2 Financing Plan ..... B-72
  - 4.3 Operation and Maintenance Expenses ..... B-78
  - 4.4 Non-Airline Revenues ..... B-80
  - 4.5 Airline Revenues..... B-83
  - 4.6 Airline Cost per Enplanement..... B-86
  - 4.7 Application of Revenues and Debt Service Coverage Ratio ..... B-86
  - 4.8 Flow of Funds ..... B-90
  - 4.9 Assumptions for Financial Projections ..... B-90

## **LIST OF TABLES**

Table No.

I-1	Historical & Projected Population .....	B-14
I-2	Per Capita Personal Income .....	B-15
I-3	Civilian Labor Force & Unemployment Rates .....	B-17
I-4	Major Air Trade Area Employers .....	B-18
I-5	Employment Trends by Major Industry Sector.....	B-20
I-6	Total Retail Sales (In 2004 Dollars, Amounts in Millions) .....	B-23
I-7	Total Bank Deposits.....	B-25
I-8	Residential Building Permits and Valuation – 1999-2009 (Dollar Amounts in Thousands).....	B-27
II-1	Scheduled Airlines Serving the Airport.....	B-33
II-2	Scheduled Air Carrier Base .....	B-34
II-3	Historical Enplaned Passengers .....	B-37
II-4	Historical Enplaned Passengers by Airline.....	B-40
II-5	Primary Domestic O&D Passenger Markets .....	B-41
II-6	Nonstop Markets.....	B-43
II-7	Historical Aircraft Operations.....	B-44
II-8	Historical Landed Weight by Airline (000’s pounds).....	B-46
II-9	Historical & Projected Enplanements.....	B-52
II-10	Historical & Projected Aircraft Operations .....	B-56
II-11	Historical & Projected Landed Weight (000’s pounds).....	B-58
III-1	Terminal Capacity Enhancement Program and Harrelson Boulevard Estimated Costs (Dollars in Thousands).....	B-63
III-2	Recent Major Capital Projects (Dollars in Thousands) .....	B-67
IV-1	Terminal Capacity Enhancement Program and Harrelson Boulevard Funding Sources (Dollars in Thousands).....	B-73
IV-2	Series 2010 Estimated Sources and Uses of Funds (Dollars in Thousands).....	B-74
IV-3	Annual GARB Debt Services – Fiscal Year Ending June 30 (Figures in Thousands) .....	B-75
IV-4	Passenger Facility Charge (PFC) Projections – Fiscal Year Ending June 30 (Figures in Thousands except Net Amount Charges) .....	B-77
IV-5	Operation & Maintenance Expenses – Fiscal Year Ending June 30 (Figures in Thousands) .....	B-79
IV-6	Non-Airline Revenues – Fiscal Year Ending June 30 (Figures in Thousands Except Rates) .....	B-81
IV-7	Signatory Airline Terminal Rental Rate Calculation – Fiscal Year Ending June 30 (Figures in Thousands Except Rates).....	B-84
IV-8	Airline Terminal Rent Revenue – Fiscal Year Ending June 30 (Figures in Thousands Except Rates).....	B-85
IV-9	Landing Fee Calculation and Revenue – Fiscal Year Ending June 30 (Figures in Thousands Except Rates).....	B-87
IV-10	Average Cost Per Enplaned Passenger – Fiscal Year Ending June 30 (Figures in Thousands Except Rates).....	B-88
IV-11	Application of Revenue and Debt Service Coverage Ratio – Fiscal Year Ending June 30 (Figures in Thousands Except Rates) .....	B-89
IV-12	Flow of Funds – Fiscal Year Ending June 30 (Figures in Thousands Except Rates) .....	B-91

**LIST OF EXHIBITS**

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Exhibit No.

I-1 Air Trade Area and Alternative Facilities..... B-12

II-1 Monthly Departing Seats ..... B-35

II-2 Historical Monthly Averages of Jet Fuel and Crude Oil Prices..... B-48

II-3 Historical & Projected Enplanements..... B-55

III-1 Terminal Capacity Enhancement Project..... B-62

## **I. Economic Base for Air Transportation**

The demand for air transportation at a particular airport is, to a large degree, a function of the demographic and economic characteristics of the airport's air trade area (i.e., the geographical area served by an airport). The correlation between demand at the Airport and the economic vitality of its surrounding Air Trade Area (as defined in Section 1.1 below) is particularly strong, as most of the Airport's passenger activity is origin and destination (O&D) in nature, indicating that passengers either begin or end their trips at the Airport (whether they reside, work, commute for work in the Myrtle Beach area, or travel to the Myrtle Beach area for business or vacation), as opposed to connecting through the Airport to reach another destination. Based on reconciled U.S. Department of Transportation (DOT) ticket sample data, O&D passengers accounted for approximately 90 percent of total passengers at the Airport in FY 2009. Therefore, passenger activity at the Airport reflects demand generated through local, national and international economic conditions and the airlines' ability to serve this demand, rather than the operational and scheduling decisions of a particular airline.

This chapter profiles the Myrtle Beach regional economy, including current conditions and trends. This chapter presents data that indicates that the economic base of the Airport's Air Trade Area is capable of generating increased demand for air travel at the Airport between FY 2011 and FY 2016, the projection period of this report.

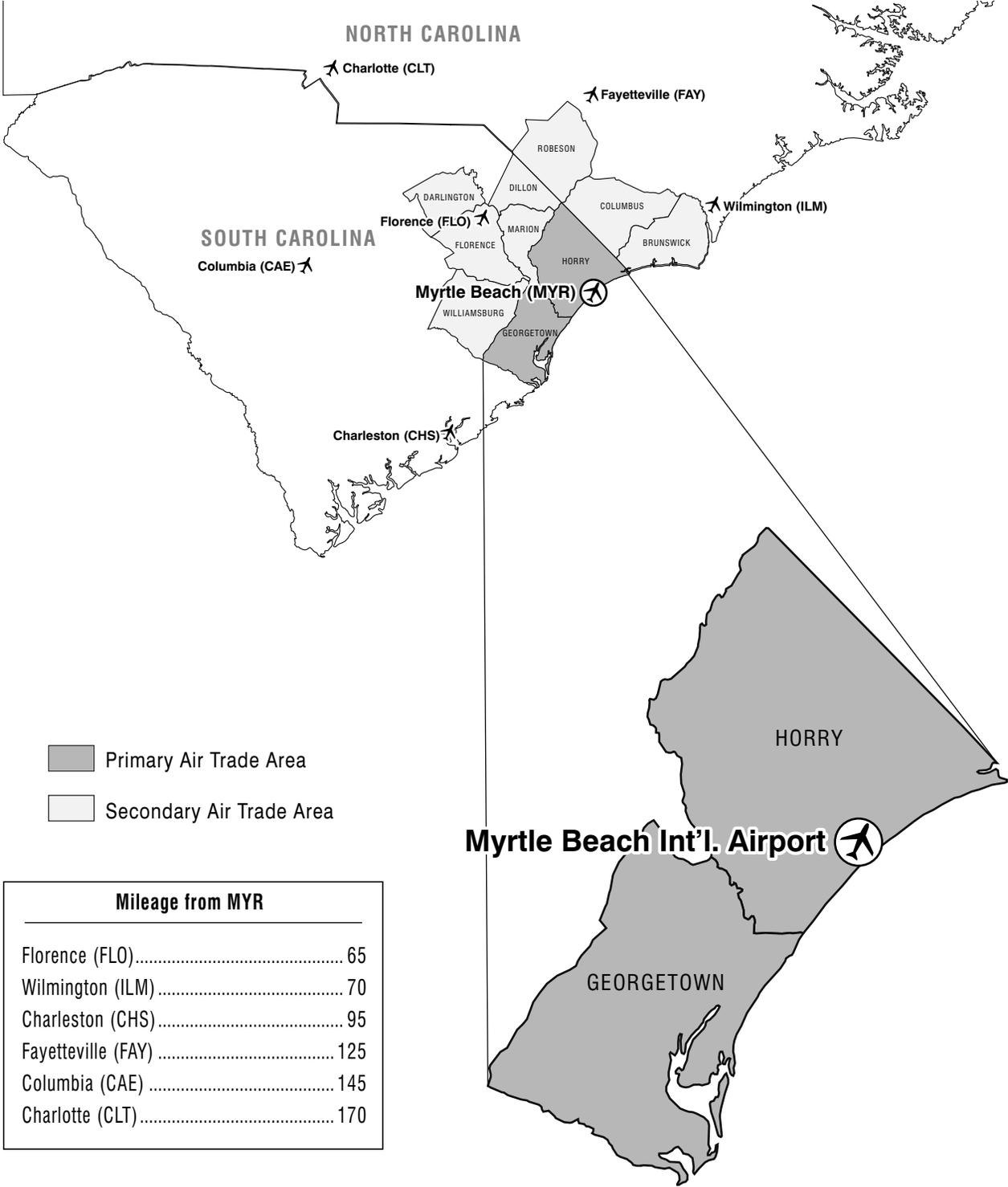
### **1.1 Air Trade Area**

The borders of an air trade area are influenced by the location of other metropolitan areas and their associated airport facilities. **Exhibit I-1** presents the geographical location of the Airport's primary and secondary air trade areas, as well as the Airport's proximity to alternative facilities.

For purposes of these analyses, the primary air trade area for the Airport consists of two counties in the State of South Carolina (South Carolina), Horry, the county in which the Airport is located, and Georgetown. The primary air trade area includes a concentrated tourist-based development that is known as the Grand Strand. This 60-mile stretch of coastline begins at the South Carolina state line at Little River in Horry County and stretches through Pawleys Island in Georgetown County.

It is the economic strength of the primary air trade area (the Air Trade Area) that provides the main base for supporting air transportation at the Airport. As a result, only socioeconomic data for the Air Trade Area were analyzed in conjunction with data for South Carolina and the United States.

Based on location, accessibility, and services available at other commercial service airports within nearby service areas, it is recognized that the area served by the Airport extends to a secondary air trade area. The borders of this extended service area are established by Fayetteville Regional Airport to the north, Wilmington International Airport to the northeast, Charleston International Airport to the southwest, Columbia Metropolitan Airport to the west, and Charlotte Douglas International Airport to the northwest. This secondary air trade area includes the five South Carolina counties of Darlington, Dillon, Florence, Marion, and Williamsburg, as well as Brunswick, Columbus, and Robeson counties in the State of North Carolina. Combined, the total air trade area for the Airport encompasses a 10-county area. Florence Regional Airport, classified by the FAA as a non-hub facility, is located 65 miles northwest of the Airport within the secondary air trade area. This airport, with approximately 77,000 annual enplanements in CY 2009 according to the FAA, has limited



Source: Cartesia Software, Map Art, 1998.  
Prepared by: Ricondo & Associates, Inc., July 2010.

Air Trade Area and Alternative Facilities

commercial passenger service (a total of approximately eight daily flights to hub airports in Atlanta and Charlotte). As a result, this facility does not influence the borders of the Airport's secondary air trade area.

## **1.2 Population**

Actual and projected population growth in a region is a key indicator for assessing demand for air travel. **Table I-1** presents historical and projected population for the Air Trade Area, South Carolina and the entire United States.

Based on 2009 population counts, Horry County, where the City of Myrtle Beach is located, was the most populous county in the Air Trade Area. Horry County accounted for 81.3 percent of the total Air Trade Area population in 2009, with 263,868 inhabitants compared with 324,571 inhabitants in the Air Trade Area. The Air Trade Area's share of population within South Carolina was approximately 7.1 percent in 2009, up from 6.3 percent in 2000.

As shown in Table I-1, the Air Trade Area's population increased at a CAGR of 2.8 percent between 1990 and 2009, twice the pace of growth experienced by South Carolina and the United States (at 1.4 and 1.1 percent, respectively) over the same period. Within the Air Trade Area, the highest growth in population during this period occurred in Horry County, with a CAGR of 3.2 percent.

As reflected in Table I-1, based on Woods and Poole Economics, Inc.'s projected population counts for 2016, the Air Trade Area's population is projected to grow at a CAGR of 2.2 percent between 2009 and 2016 (compared to 1.1 percent for South Carolina and 1.0 percent for the United States). Horry County is projected to experience above-trend growth over the period of 2009-2016 with a CAGR of 2.4 percent.

## **1.3 Income**

Another key indicator of demand for air travel is air trade area wealth, which can be measured by assessing levels of personal income. Personal income is the sum of wages and salaries, other labor income, proprietors' income, rental income of persons, dividend income, personal interest income, and transfer payments less personal contributions for government social insurance. Personal income is a composite measurement of market potential; and indicates the general level of affluence of local residents, which corresponds to an area's ability to afford air travel, as well as an area's attractiveness to business and leisure travelers (lower income areas often have weaker business ties to the rest of the nation and/or a less developed tourism infrastructure). It should be noted, however that personal income does not adjust for the cost of living in a particular area (see Section 1.6 for further discussion of the Air Trade Area's below national average cost of living).

**Table I-2** presents historical per capita personal income between 2002 and 2009 for the Air Trade Area, South Carolina and the United States. Per capita personal income for the Air Trade Area increased at a CAGR of 2.8 percent between 2002 and 2009, compared with CAGRs of 3.6 percent for South Carolina and 3.9 percent for the United States during the same period.

Table I-2 also presents projections of per capita personal income for 2016. According to data from Woods and Poole Economics, Inc., per capita personal income in the Air Trade Area is projected to increase at a CAGR of 4.0 percent; from \$30,000 in 2009 to \$39,588 in 2016. The projected CAGR for the Air Trade Area between 2009 and 2016 is similar to both South Carolina and the United

**Table I-1**

Historical & Projected Population

Area	Historical			Projected 2016	Compounded Annual Growth Rate			
	1990	2000	2009		1990-2000	2000-2009	1990-2009	2009-2016
Georgetown County	46,302	55,797	60,703	66,083	1.9%	0.9%	1.4%	1.2%
Horry County	144,053	196,629	263,868	311,620	3.2%	3.3%	3.2%	2.4%
Air Trade Area	190,355	252,426	324,571	377,703	2.9%	2.8%	2.8%	2.2%
South Carolina	3,486,703	4,012,012	4,561,242	4,909,465	1.4%	1.4%	1.4%	1.1%
United States	248,709,873	281,421,906	307,006,550	328,569,385	1.2%	1.0%	1.1%	1.0%

Sources: U.S. Department of Commerce, Bureau of the Census, Population Estimates, June 2010 (historical) and Woods and Poole Economics, Inc., *2010 Complete Economic and Demographic Data Source (CEDDS)*, 2009 (projected).

Prepared by: Ricondo & Associates, Inc., July 2010.

**Table I-2**

**Per Capita Personal Income**

Year	Per Capita Personal Income (in current dollars)		
	Air Trade Area	South Carolina	United States
Historical			
2002	\$24,754	\$25,364	\$30,838
2003	\$25,419	\$25,873	\$31,530
2004	\$26,412	\$27,069	\$33,157
2005	\$27,595	\$28,292	\$34,690
2006	\$29,223	\$30,041	\$36,794
2007	\$29,551	\$31,103	\$38,615
2008	\$30,093	\$31,884	\$39,755
2009	\$30,000	\$32,489	\$40,255
Projected			
2016	\$39,588	\$43,749	\$54,499
Compounded Annual Growth Rate			
2002-2009	2.8%	3.6%	3.9%
2009-2016	4.0%	4.3%	4.4%

**Percentage of Households in Income Categories (2009)**

Income Category (in 2000 \$)	Air Trade Area	South Carolina	United States
Less than \$29,999	36.5%	35.2%	30.4%
\$30,000 to \$59,999	37.1%	34.7%	32.2%
\$60,000 to \$74,999	10.3%	11.1%	11.8%
\$75,000 to \$99,999	8.0%	9.7%	11.7%
\$100,000 or More	8.2%	9.3%	13.9%

Source: Woods and Poole Economics, Inc., *2010 Complete Economic and Demographic Data Source* (CEDDS), 2009.

Prepared by: Ricondo & Associates, Inc., July 2010.

States, which are projected to grow at slightly faster CAGRs of 4.3 and 4.4 percent, respectively, over the same period.

An additional indicator of wealth, and thus a market's potential to generate demand for air transportation, is the percentage of households in the higher income categories. An examination of this indicator is important in that as household income increases, air transportation becomes more affordable and, therefore, is used more frequently. Table I-2 presents percentages of households in selected household income categories for 2009. As shown, 26.5 percent of households in the Air Trade Area had household incomes of \$60,000 or more in 2009, compared with 30.1 percent in South Carolina and 37.4 percent nationwide.

## **1.4 Employment**

### **1.4.1 Labor Force Trends and Unemployment Rates**

A growing labor force and low unemployment rates are indicators of demand for air travel in an air trade area. A growing labor force and low unemployment rates are also indicative of more potential opportunities for business travel and higher disposable income levels that facilitate leisure travel.

As shown in **Table I-3**, the Air Trade Area's civilian labor force experienced relatively rapid growth between 1999 and 2009, ranging from approximately 129,000 workers in 1999 to approximately 162,000 workers in 2009. Over the 10-year period from 1999-2009, the CAGR for the Air Trade Area civilian labor force was 2.3 percent, compared to 1.1 and 1.0 percent for South Carolina and the United States, respectively, during the same period.

As also shown in Table I-3, during the period between 1999 and 2007, Air Trade Area non-seasonally adjusted unemployment peaked at a 6.6 percent rate in 2004. Beginning in 2002 and continuing through 2007, the Air Trade Area experienced lower unemployment rates than South Carolina. When compared to the nation, the Air Trade Area's higher unemployment rates can be partly attributed to a more rapidly growing labor force and the cyclical nature of employment in the Air Trade Area's tourist industry.

In 2008 and 2009, similar to the experiences of both South Carolina and the United States, the unemployment rate in the Air Trade Area increased markedly. The Air Trade Area's non-seasonally adjusted unemployment rate was 10.8 percent in August 2010. This rate was lower than the unemployment rate experienced by South Carolina (11.5 percent) and higher than the unemployment rate experienced by the United States (9.5 percent) during the same period.

### **1.4.2 Major Employers in the Air Trade Area**

Major employers in the Air Trade Area, as measured by number of employees, are presented in **Table I-4**. There are 31 organizations in the Air Trade Area with at least 200 employees. The largest employers in the Air Trade Area include: Horry County School District (4,440 employees); Wal-Mart (2,110 employees); Georgetown County School District (1,600 employees); Horry County Government (1,480 employees); and the Grand Strand Regional Medical Center (1,280 employees).

## **1.5 Economic Base**

This section reviews the local economy in greater detail to more clearly examine the basis for the economic strength of the Air Trade Area.

**Table I-3**

**Civilian Labor Force & Unemployment Rates**

Year	Civilian Labor Force (000's)		
	Air Trade Area	South Carolina	United States
1999	129	1,957	139,368
2000	132	1,988	142,583
2001	128	1,936	143,734
2002	132	1,942	144,863
2003	138	1,988	146,510
2004	144	2,026	147,401
2005	150	2,062	149,320
2006	157	2,104	151,428
2007	158	2,118	153,124
2008	161	2,143	154,287
2009	162	2,179	154,142
<b>Compounded Annual Growth Rate</b>			
1999-2009	2.3%	1.1%	1.0%
1999-2002	0.8%	-0.3%	1.3%
2002-2007	3.7%	1.8%	1.1%
2007-2009	1.3%	1.4%	0.3%

Year	Non-Seasonally Adjusted Unemployment Rates		
	Air Trade Area	South Carolina	United States
1999	4.4%	4.1%	4.2%
2000	3.9%	3.6%	4.0%
2001	5.4%	5.2%	4.7%
2002	5.8%	6.0%	5.8%
2003	6.5%	6.7%	6.0%
2004	6.6%	6.8%	5.5%
2005	6.3%	6.8%	5.1%
2006	5.8%	6.4%	4.6%
2007	5.2%	5.6%	4.6%
2008	7.2%	6.9%	5.8%
2009	12.2%	11.7%	9.3%
August 2010	10.8%	11.5%	9.5%

Source: U.S. Department of Labor, Bureau of Labor Statistics, September 2010.  
Prepared by: Ricondo & Associates, Inc., September 2010.

**Table I-4**

**Major Air Trade Area Employers**

Employer	Employees	Product or Service
Horry County School District	4,440	Education
Wal-Mart	2,100	Retail
Georgetown County School District	1,600	Education
Horry County Government	1,480	Government
Grand Strand Regional Medical Center	1,280	Medical
Georgetown Hospital System	1,200	Medical
AVX	1,100	Electric Components
Conway Medical Center	1,100	Medical
City of Myrtle Beach	1,080	Government
Coastal Carolina University	980	Higher Education
Myrtle Beach National	980	Golf
Loris Healthcare System	900	Medical
Frontier Communications	890	Telecommunications
Food Lion	860	Retail
International Paper	830	Paper Products
Blue Cross/Blue Shield	825	Insurance
Burroughs & Chapin	700	Real Estate Development
HTC Communications	670	Telecommunications
Lowe's Companies	665	Retail
Santee Cooper	570	Utility
Georgetown County Government	505	Government
Kingston Plantation	500	Tourism
Sands Oceanfront Resorts	500	Tourism
Conbraco Industries	405	Valve Components
Ocean Lakes Family Campground	375	Tourism
ArcelorMittal	325	Steel Products
Sun News	240	Media/Publishing
New South	240	Construction Supply
Metglas	210	Metals Components
Wolverine Brass	200	Plumbing Components
City of Georgetown	200	Government

Sources: Myrtle Beach Regional Economic Development Commission and Georgetown County Economic Development, 2009  
Prepared by: Ricondo & Associates, Inc., July 2010

An analysis of nonagricultural employment trends by major industry sector is presented in **Table I-5**, which compares the Air Trade Area's employment trends to those for the nation for 2001 and 2009. As shown, nonagricultural employment in the Air Trade Area increased from approximately 108,400 workers in 2001 to approximately 118,800 workers in 2009. This increase represents a CAGR of 1.2 percent, compared with a 0.1 percent decrease experienced nationwide over the same period.

Four major industry sectors experienced positive employment growth between 2001 and 2009, with growth occurring in the government (CAGR of 3.1 percent), services (2.3 percent), trade (2.0 percent) and information (0.3 percent) sectors. A 5.6 percent decrease in manufacturing employment between 2001 and 2009 was not unique to the Air Trade Area, as manufacturing employment nationwide decreased by 4.0 percent over the same period. In 2009, as shown in Table I-5, with the exception of trade and manufacturing, and to a lesser extent, transportation/utilities and services, the sectors of nonagricultural employment in the Air Trade Area are generally in concert with those of the United States on a percentage basis.

A shifting of the Air Trade Area's employment base occurred between 2001 and 2009, as manufacturing employment decreased from 7.8 percent of total employment in 2001 to 4.5 percent in 2009 (-3.3 percentage points); and services employment increased from 48.2 percent of total employment in 2001 to 52.6 percent in 2009 (+4.4 percentage points). These trends in the Air Trade Area's employment base were consistent with changes in the employment base in the United States, as manufacturing employment decreased by 3.5 percentage points and services employment increased by 5.0 percentage points during this same period.

### **1.5.1 Services**

Employment in the services sector in the Air Trade Area increased at a CAGR of 2.3 percent between 2001 and 2009, compared with a 1.2 percent increase for the United States. In 2009, the services sector in the Air Trade Area employed approximately 62,500 workers, representing 52.6 percent of the total nonagricultural workforce. This percentage is higher than in the United States, where services jobs accounted for 50.7 percent of nonagricultural employment in 2009. The following services represented slightly more than 94 percent of the Air Trade Area's total services industry workforce in 2009: leisure and hospitality (56.8 percent); education and health (19.8 percent); and professional and business services (17.7 percent).

#### **1.5.1.1 Travel and Tourism**

The Grand Strand is recognized as one of the nation's top leisure destinations. According to the Myrtle Beach Area Chamber of Commerce, the Grand Strand hosted 14.7 million visitors in 2009. These visitors result in approximately \$6.5 billion worth of annual economic activity in the Air Trade Area and support approximately 75,000 Air Trade Area jobs. Tourists are attracted to the Air Trade Area due to its mild climate, the quality and quantity of golf courses to choose from, its 60-mile stretch of beaches along the Atlantic Ocean, the variety of shopping facilities, a varied selection of live entertainment theaters, and numerous other attractions and recreational activities. According to the Chamber of Commerce approximately 60 percent of visitors to the Air Trade Area have annual household incomes of over \$60,000.

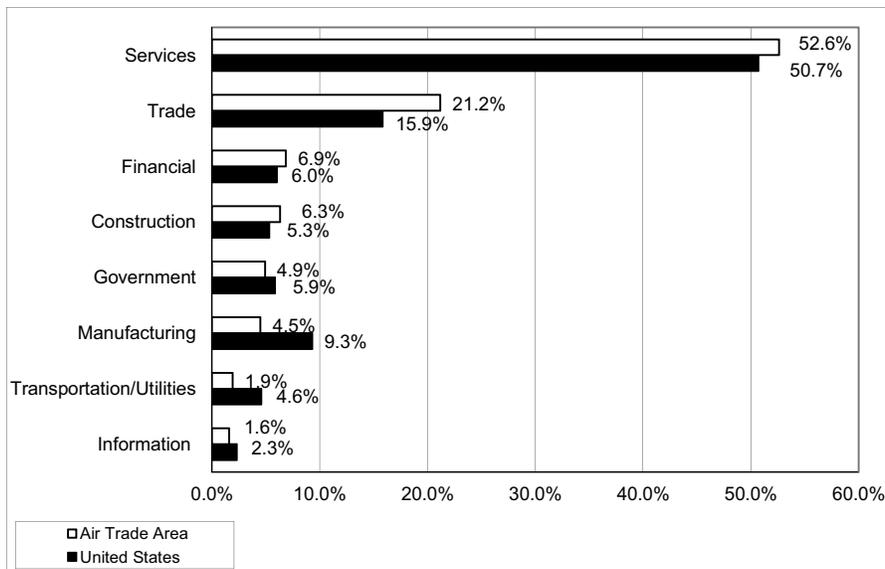
In support of conventions and leisure travel, the Air Trade Area offers over 89,000 lodging accommodations and more than 1,700 full service restaurants. According to researchers at Coastal Carolina University, Air Trade Area hotel occupancy was up eight percentage points during the 2010

**Table I-5**

**Employment Trends by Major Industry Sector**

Industry	Air Trade Area Nonagricultural Employment <sup>1/</sup>			United States Nonagricultural Employment (000's) <sup>1/</sup>		
	2001	2009	Compounded Annual Growth Rate	2001	2009	Compounded Annual Growth Rate
Services	52,279	62,493	2.3%	58,519	64,516	1.2%
Trade	21,534	25,188	2.0%	20,976	20,175	-0.5%
Financial	8,504	8,170	-0.5%	7,760	7,666	-0.2%
Construction <sup>2/</sup>	8,579	7,507	-1.7%	7,507	6,779	-1.3%
Government <sup>3/</sup>	4,607	5,864	3.1%	7,041	7,474	0.7%
Manufacturing	8,499	5,361	-5.6%	16,438	11,854	-4.0%
Transportation/Utilities	2,524	2,310	-1.1%	6,179	5,850	-0.7%
Information <sup>4/</sup>	1,862	1,905	0.3%	3,730	2,956	-2.9%
<b>TOTAL</b>	<b>108,388</b>	<b>118,798</b>	<b>1.2%</b>	<b>128,149</b>	<b>127,271</b>	<b>-0.1%</b>

Percent of 2009 Nonagricultural Employment



**Notes:**

- 1/ Excludes agricultural, unclassified, and not disclosable employment.
- 2/ Includes mining employment.
- 3/ Only includes NAICS Sector 92, Public Administration.
- 4/ The information sector includes communications, publishing, motion picture and sound recording, and on-line services.

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Quarterly Census of Employment and Wages*, July 2010.  
Prepared by: Ricondo & Associates, Inc., July 2010.

summer season compared with the same period in 2009. The Air Trade Area provides full-function meeting and conventions space at approximately 30 properties, with several facilities having the capacity to accommodate 500 or more guests. The Air Trade Area's largest meeting facility is the Myrtle Beach Convention Center, which can accommodate up to 10,000 delegates and 1,500 people at a seated meal function. Within a mile of approximately 4,000 hotel rooms, this state-of-the-art meeting facility is approximately 250,000 square feet, which makes it one of the largest meeting facilities on the East Coast and capable of accommodating 80 percent of all conventions held in the United States.

The Air Trade Area offers a wide variety of tourist attractions. With the capacity to seat more than 10,300 guests in total, the Air Trade Area offers a variety of live entertainment theaters, including the Alabama Theatre, Dolly Parton's Dixie Stampede, Legends in Concert, Medieval Times Dinner and Tournament, The Carolina Opry and the Palace Theatre. Other tourist attractions in the Air Trade Area consist of historical sites, including several plantations that offer tours to guests; and a variety of museums, such as the Franklin G. Burroughs and Simeon B. Chapin Art Museum, Ripley's Aquarium, Ripley's Believe It or Not! Museum, South Carolina Hall of Fame, and The Children's Museum of South Carolina.

#### 1.5.1.2 Recreational and Sports Activities

According to Myrtle Beach Golf Holiday, approximately 3.4 million rounds of golf are played annually in the Air Trade Area at more than 100 golf courses, many of which were designed by well-known designers, including Jack Nicklaus, Arnold Palmer, Greg Norman, and Tom Fazio. According to Myrtle Beach Golf Holiday, the total overall economic impact of the Air Trade Area's golf industry is in excess of \$1 billion annually. Due to the quantity of highly-rated, reasonably priced golf courses, the Air Trade Area was officially named "Golf Town, USA" in 2000 and was named as one of the best value golf destinations in the U.S. by *Golf Digest* magazine in 2008. Golf is played year-round in the Air Trade Area and the busiest seasons are spring and autumn due to milder temperatures. Each September the Air Trade Area hosts the Golf.com World Amateur Handicap Championship, the world's largest amateur golf tournament.

With more than 60 miles of beaches, the Air Trade Area offers a variety of water sports and recreation activities, such as swimming, diving, snorkeling, boating, and fishing. Other outdoor recreational opportunities in the Air Trade Area include water theme parks, miniature golf, parks and gardens, tennis, and bicycling. The Air Trade Area also hosts a significant number of outdoor festivals and events annually, which include the Atalaya Arts and Crafts Festival in Murrells Inlet, Blue Crab Festival in Little River, Endless Summer Festival in North Myrtle Beach, Georgetown Wooden Boat Show, Harborwalk Festival in Georgetown, Intercoastal Christmas Regatta in North Myrtle Beach, Pawleys Island Festival of Music and Art, Sun Fun Festival in Myrtle Beach, and Surfside Beach Annual Family Festival. The Air Trade Area is also home to the Myrtle Beach Pelicans minor league baseball team that is an affiliate of Major League Baseball's Texas Rangers.

#### 1.5.1.3 Medical and Health

The health care services industry in the Air Trade Area is served by six hospitals that offer a wide range of medical services. With approximately 1,280 employees, the largest health care services employer in the Air Trade Area is Grand Strand Regional Medical Center. The Medical Center is a 219-bed acute care hospital that is a designated trauma center, offers the only cardiac surgery program in Air Trade Area, and is the top ranked cardiac surgery program in South Carolina.

The Georgetown Hospital System, which includes Georgetown Memorial Hospital and Waccamaw Community Hospital, is the second-largest health care services employer in the Air Trade Area and has approximately 1,200 employees. Georgetown Memorial Hospital is a 131-bed acute care facility that offers state-of-the-art equipment and provides a full range of inpatient and outpatient services including a Commission on Cancer-approved oncology program, cardiology, emergency services, women's imaging, obstetrical and gynecological care, pediatrics, and surgical services. Waccamaw Community Hospital, which opened in November 2002, offers 167 beds, as well as a 43-bed acute care rehabilitation facility.

Conway Medical Center is a 210-bed acute care facility, with approximately 1,100 employees, that specializes in heart care, obstetrical and gynecological care, and orthopedics and surgical services. The Medical Center is also certified as a Level II perinatal center and a Level III trauma center.

With approximately 900 employees in the Air Trade Area, the Loris Healthcare System is primarily comprised of the Loris Community Hospital, Seacoast Medical Center, and the Loris Extended Care Center. Loris Community Hospital is a 105-bed acute care medical facility that provides inpatient and outpatient services. Seacoast Medical Center offers 24-hour emergency medical care and a full range of outpatient services. The 88-bed Loris Extended Care Center provides a full range of rehabilitative services.

#### 1.5.1.4 Higher Education

Higher education is provided in the Air Trade Area by a variety of universities, colleges, and technical schools. Coastal Carolina University is the largest university in the Air Trade Area with approximately 980 employees and more than 8,400 enrolled students. The University offers 51 baccalaureate degree programs, master's degree programs in education, writing, marine and wetland studies, as well as an MBA program. Master's degree programs are also offered at Webster University. This multi-campus university offers the Master of Business Administration and various Master of Arts degrees at its Myrtle Beach campus. Horry-Georgetown County Technical College has approximately 5,300 enrolled students and offers more than 70 associate degree program diplomas and certificate programs. This community college has three campuses located in Conway, Myrtle Beach, and Georgetown.

### 1.5.2 Trade

Employment in the trade sector in the Air Trade Area increased at a CAGR of 2.0 percent between 2001 and 2009, compared with a 0.5 percent decrease for the United States. In 2009, the trade sector in the Air Trade Area employed approximately 25,190 workers, representing 21.2 percent of the total nonagricultural workforce. This percentage is significantly higher than in the United States where trade jobs accounted for 15.9 percent of nonagricultural employment in 2009. Of the Air Trade Area employees in the trade sector, approximately 90 percent were engaged in retail trade.

One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. **Table I-6** presents total retail sales for the Air Trade Area, South Carolina and the United States between 2002 and 2009. As shown in Table I-6, between 2002 and 2007, total retail sales in the Air Trade Area grew at a CAGR, 4.8 percent, which was significantly faster than the growth experienced by both South Carolina and the United States during this period (2.9 and 2.4 percent, respectively). Between 2007 and 2009, as the recession took hold, Air Trade Area retail sales decreased at a compounded

**Table I-6**

**Total Retail Sales**

(In 2004 Dollars, Amounts in Millions)

Year	Air Trade Area	South Carolina	United States
<u>Historical</u>			
2002	\$4,700	\$47,281	\$3,536,043
2003	\$4,859	\$48,425	\$3,616,903
2004	\$5,129	\$50,376	\$3,749,550
2005	\$5,442	\$52,094	\$3,864,722
2006	\$5,739	\$53,679	\$3,950,657
2007	\$5,933	\$54,552	\$3,980,329
2008	\$5,811	\$52,963	\$3,834,703
2009	\$5,441	\$49,046	\$3,554,629
<u>Projected</u>			
2016	\$6,930	\$58,419	\$4,173,243
<u>Compounded Annual Growth Rate</u>			
2002 - 2007	4.8%	2.9%	2.4%
2007 - 2009	-4.2%	-5.2%	-5.5%
2009 - 2016	3.5%	2.5%	2.3%

Source: Woods and Poole Economics, Inc., *2010 Complete Economic and Demographic Data Source (CEDDS)*, 2009.

Prepared by: Ricondo & Associates, Inc., July 2010.

annual rate of 4.2 percent, less than the decrease that South Carolina and the United States experienced during this period (5.2 and 5.5 percent decreases, respectively).

Table I-6 also presents projections of total retail sales for 2016. According to data from Woods and Poole Economics, Inc., total retail sales for the Air Trade Area are expected to increase from approximately \$5.4 billion in 2009, to approximately \$6.9 billion in 2016. This increase represents a CAGR of 3.5 percent during this period, compared to a 2.5 percent rate for South Carolina and 2.3 percent for the United States.

The Air Trade Area offers a unique variety of shopping establishments. Broadway at the Beach and Barefoot Landing are complexes that combine retail stores with various entertainment options including restaurants, performance venues, and family recreation outlets. Traditional shopping malls in the Air Trade Area include the Inlet Square Mall, Myrtle Beach Mall, Coastal Grand Mall and the new Market Commons retail and housing development (on the site of the former Myrtle Beach Air Force Base). Including the two locations of the Tanger Factory Outlets, the Air Trade Area also offers more than 300 outlet shopping stores. Collections of specialty shops, such as those at The Hammock Shops Village in Pawleys Island, sell hammocks and other specialty items.

### **1.5.3 Financial**

The financial sector comprises financial, insurance, and real estate services. Employment in the financial sector in the Air Trade Area decreased at a compounded annual rate of 0.5 percent between 2001 and 2009, compared with a 0.2 percent decrease for the United States. In 2009, the financial sector in the Air Trade Area employed approximately 8,170 workers, representing 6.9 percent of the total nonagricultural workforce. This percentage is slightly higher than in the United States where financial jobs accounted for 6.0 percent of total nonagricultural employment in 2009.

As shown on Table I-4, the South Carolina affiliate of Blue Cross/Blue Shield is the largest financial employer in the Air Trade Area with approximately 825 employees. According to the most recent Federal Deposit Insurance Corporation statistics, the Air Trade Area has 36 commercial banks with 137 offices and seven savings institutions with 31 offices. In 2009, BB&T, the nation's tenth-largest financial services holding company, had the largest market share of deposits of any bank in the Air Trade Area.

**Table I-7** presents total bank deposits for the Air Trade Area, South Carolina, and the nation for the 12 months ending June 30<sup>th</sup> between 1999 and 2009. Total bank deposits represent an indicator of the economic activity of the financial sector. As shown, total bank deposits in the Air Trade Area steadily increased from \$3.2 billion in 1999 to \$6.7 billion in 2009. This increase represents a CAGR of 7.7 percent during this period, which was higher than similar rates for South Carolina and the nation during this same period (CAGRs of 6.9 and 7.2 percent, respectively).

### **1.5.4 Construction**

Employment in the construction sector in the Air Trade Area decreased at a compounded annual rate of 1.7 percent between 2001 and 2009, compared with a 1.3 percent decrease for the United States. In 2009, the construction sector in the Air Trade Area employed approximately 7,510 workers, representing 6.3 percent of the total nonagricultural workforce. This percentage is higher than in the United States where construction jobs accounted for 5.3 percent of nonagricultural employment in 2009.

**Table I-7**

**Total Bank Deposits**

Fiscal Year	Total Bank Deposits (\$000,000)		
	Air Trade Area	South Carolina	United States
<u>Historical</u>			
1999	\$3,196	\$35,960	\$3,783,554
2000	\$3,357	\$38,161	\$4,003,744
2001	\$3,538	\$39,713	\$4,326,207
2002	\$3,876	\$42,453	\$4,606,092
2003	\$4,244	\$44,881	\$5,132,110
2004	\$4,575	\$48,085	\$5,464,782
2005	\$5,693	\$53,844	\$5,933,763
2006	\$6,565	\$59,153	\$6,449,864
2007	\$6,683	\$64,091	\$6,702,053
2008	\$6,798	\$66,549	\$7,025,791
2009	\$6,725	\$69,795	\$7,559,616
<u>Compounded Annual Growth Rate</u>			
1999-2009	7.7%	6.9%	7.2%

**Note: Fiscal Year Ending June 30th.**

Source: Federal Deposit Insurance Corporation (FDIC), Summary of Deposits, October 2009.

Prepared by: Ricondo & Associates, Inc., July 2010.

As shown in **Table I-8**, Air Trade Area residential building permit units and valuation experienced a more pronounced expansion and contraction cycle over the 1999 to 2009 period than the United States as a whole. From 1999 until the peak of the most recent residential real estate building cycle in 2005, the Air Trade Area's residential building permit units increased at a CAGR of 14.8 percent (compared to 4.4 percent for the United States) and building permit valuation increased at a CAGR of 21.3 percent (compared to 10.5 percent for the United States). From 2005 through 2009, the Air Trade Area's residential building permit units decreased at a compounded annual rate of 38.5 percent (compared to a 27.9 percent decrease for the United States) and building permit valuation decreased at a compounded annual rate of 37.0 percent (compared to a 26.6 percent decrease for the United States). Research firm Fiserv projects Air Trade Area housing prices to bottom in the third quarter of 2010, however, prices are not projected to return to late-2006 peak levels until late-2014.

According to the Myrtle Beach Area Chamber of Commerce, a wide range of local development projects have been initiated and/or completed in the Air Trade Area in recent years. These development projects include the following:

- **Hotels.** New or expanded hotel facilities that have recently opened in the Air Trade Area include:
  - Hilton Garden Inn (112 units) located near the Airport in November 2008;
  - Holiday Inn Express Murrells Inlet (95 units) in June 2009;
  - Hampton Inn and Suites Oceanfront (112 additional units) in Myrtle Beach in May 2009; and
  - Marriott OceanWatch Villas at Grande Dunes (75 additional units) in Myrtle Beach in May 2010.
- **Stores.** Significant retail facilities that have recently opened in the Air Trade Area include:
  - Market Commons, a retail and housing development composed of 370,000 sq. ft. of retail shops, 24,000 sq. ft. of office space and 195 residential units (opened in April 2008)
- **Businesses/Education.** New business/educational development projects that have been initiated in the Air Trade Area include:
  - Coastal Carolina University's new \$35 million student recreation and convocation center (scheduled to open in November 2011); and
  - Grand Strand Regional Medical Center's \$54 million expansion that will add 50 beds, expand the emergency department from 28 treatment bays to 40 and create a new cardiac catheterization laboratory department (scheduled to be completed in late 2011).
- **Tourist attractions/Recreation.** New tourist attractions/recreational facilities that have been completed or initiated in the Air Trade Area include:
  - A \$7 million, 1.2 mile-long Myrtle Beach Oceanfront Boardwalk and Promenade (opened in May 2010); and
  - Wonderworks Imaginarium, a new upside-down museum that is expected to create 120 new jobs at Broadway at the Beach when completed (scheduled to open in Summer 2011).

**Table I-8**

**Residential Building Permits and Valuation -- 1999-2009**

(Dollar Amounts in Thousands)

Year	Air Trade Area		South Carolina		United States	
	Units	Valuation	Units	Valuation	Units	Valuation
1999	5,642	\$562,714	36,161	\$3,614,665	1,663,533	\$181,246,047
2000	5,139	\$512,778	32,812	\$3,532,667	1,592,267	\$185,743,681
2001	4,797	\$499,467	30,133	\$3,469,848	1,636,676	\$196,242,858
2002	4,683	\$584,630	34,104	\$4,102,075	1,747,678	\$219,188,681
2003	5,857	\$736,273	38,191	\$4,616,026	1,889,214	\$249,693,105
2004	7,855	\$992,394	43,230	\$5,641,358	2,070,077	\$292,413,691
2005	12,881	\$1,795,350	54,157	\$7,761,319	2,155,316	\$329,254,468
2006	11,091	\$1,663,063	50,776	\$7,592,107	1,838,903	\$291,314,492
2007	5,673	\$908,920	40,631	\$6,318,566	1,398,415	\$225,236,551
2008	3,236	\$579,862	25,918	\$4,238,711	905,359	\$141,623,457
2009	1,844	\$283,212	15,529	\$2,534,462	582,963	\$95,410,298
<b>Compounded Annual Growth Rate</b>						
1999-2005	14.8%	21.3%	7.0%	13.6%	4.4%	10.5%
2005-2009	-38.5%	-37.0%	-26.8%	-24.4%	-27.9%	-26.6%

Source: U.S. Department of Commerce, Bureau of the Census, June 2010.

Prepared by: Ricondo & Associates, Inc., July 2010.

B-27

### **1.5.5 Government**

Employment in the government sector in the Air Trade Area increased at a CAGR of 3.1 percent between 2001 and 2009, compared with a 0.7 percent increase for the United States. In 2009, the government sector in the Air Trade Area employed approximately 5,860 workers, representing 4.9 percent of the total nonagricultural workforce. This percentage is less than in the United States where government jobs accounted for 5.9 percent of nonagricultural employment in 2009.

As shown on Table I-4, four governmental agencies are among the major employers in the Air Trade Area. These city and county governments include one of the largest employers in the Air Trade Area, the Horry County Government (as discussed in Section 1.4.2), as well as the City of Myrtle Beach (1,080 employees), the Georgetown County Government (505 employees), and the City of Georgetown (200 employees).

Given the recent passage of extremely tight budgets for government organizations in the Air Trade Area (e.g. City of Myrtle Beach), it is unlikely that employment in the government sector in the Air Trade Area will grow as rapidly over the projection period as it did between 2001 and 2009.

### **1.5.6 Manufacturing**

Employment in the manufacturing sector in the Air Trade Area decreased at a compounded annual rate of 5.6 percent between 2001 and 2009, compared with a 4.0 percent decrease for the United States. In 2009, the manufacturing sector in the Air Trade Area employed approximately 5,360 workers, representing 4.5 percent of the total nonagricultural workforce. This percentage is significantly less than in the United States where manufacturing jobs accounted for 9.3 percent of nonagricultural employment in 2009.

Major segments of the Air Trade Area's manufacturing industry are steel products, electronic components, automotive parts, paper products, and various textiles and fabrics. As shown on Table I-4, six manufacturing companies are among the major employers in the Air Trade Area. These companies include: electronic components and connectors manufacturer AVX (1,100 employees); the paper products manufacturer, International Paper (830 employees); the valve components manufacturer, Conbraco Industries (405 employees); the steel and wire rod manufacturer, ArcelorMittal (325 employees); the metals components manufacturer, Metglas (210 employees); and the plumbing components manufacturer Wolverine Brass (200 employees).

According to the South Carolina Department of Commerce, new and expanding manufacturing businesses have made investments in the Air Trade Area in recent years:

- In January 2009, MetalTech Systems announced plans to locate a new facility that will manufacture conveyor systems for the recycling industry in Georgetown County that is expected to generate 60 new jobs.
- In March 2009, Costal Biodiesel Group announced plans to locate a new biodiesel processing facility in Horry County that is expected to generate 50 new jobs.
- In March 2009, Renewed World Energies announced plans to locate a new plant to convert cultivated algae into oil for diesel fuel and jet fuel production in Georgetown County. This new plant is expected to generate 60 new jobs.
- In May 2009, Trinity Iron Works announced plans to locate a new structural steel fabrication operation in Georgetown County that is expected to generate 15 new jobs.

- In April 2010, The Charleston Pie Man announced plans to locate a new pie manufacturing operation in Georgetown County that is expected to generate 80 new jobs.

### **1.5.7 Transportation/Utilities**

Employment in the transportation/utilities sector in the Air Trade Area decreased at a compounded annual rate of 1.1 percent between 2001 and 2009, compared with a 0.7 percent decrease for the United States. In 2009, the transportation/utilities sector in the Air Trade Area employed approximately 2,310 workers, representing 1.9 percent of the total nonagricultural workforce. This percentage is significantly less than in the United States where transportation/utilities jobs accounted for 4.6 percent of nonagricultural employment in 2009.

The Air Trade Area is supported by a comprehensive transportation network that provides both passenger and freight access:

- The Air Trade Area is located approximately 65 miles east of I-95, the major north-south interstate on the U.S. east coast. In February 2010, federal stimulus bill funding was allocated for the first stage of the proposed I-73 so that the project, which would connect the Air Trade Area and I-95 via interstate highway, could begin.
- Public transit in the Air Trade Area is provided by the Coast RTA. Coast RTA provides residents and visitors to the Air Trade Area with regularly scheduled bus service and paratransit service.
- Greyhound Bus Lines provides regularly scheduled bus service to and from the Air Trade Area, including downtown Myrtle Beach.
- Passenger rail service is provided to and from the Air Trade Area by Amtrak. The nearest Amtrak station is in Florence, South Carolina, which is located approximately 68 miles northwest of the Air Trade Area.
- Freight rail service in the Air Trade Area is provided by the CSX Railroad which ties Georgetown with CSX's rail network east of the Mississippi River.
- The Port of Georgetown (Port) is one of the South Carolina State Ports Authority's dedicated breakbulk and bulk cargo facilities. The Port's innovative Intermodal Breakbulk Service lets shippers and consignees combine a multitude of transportation costs and functions - stevedoring, storage, port handling, truck and/or rail, etc. - as a single operation under one invoice. The Port handles approximately 286,000 tons of cargo yearly, and steel, petroleum coke and wood briquettes are the top commodities shipped.

The South Carolina Public Service Authority (Santee Cooper) is a significant employer in the Air Trade Area with approximately 570 employees. Santee Cooper is South Carolina's state-owned electric and water utility, and the State's largest power producer, supplying electricity to more than 163,000 retail customers in Berkeley, Georgetown, and Horry counties.

### **1.5.8 Information**

The information sector combines communications, publishing, motion picture and sound recording, and online services. Employment in the information sector in the Air Trade Area increased at a CAGR of 0.3 percent between 2001 and 2009, compared with a 2.9 percent decrease for the United States. In 2009, the information sector in the Air Trade Area employed approximately 1,905 workers, representing 1.6 percent of the total nonagricultural workforce. This percentage is slightly

less than in the United States where information jobs accounted for 2.3 percent of nonagricultural employment in 2009.

The Air Trade Area's information sector is served by a diverse set of newspapers, magazines, television and radio stations, and telecommunications companies. Frontier Communications, which specializes in delivering telephone service, television service, Internet, and wireless communications to business and consumers in smaller markets, has a significant presence in the Air Trade Area with approximately 890 employees. Horry Telephone Cooperative is a wholly-owned subsidiary of HTC Incorporated, the nation's largest telephone cooperative. With approximately 670 employees in the Air Trade Area, HTC Communications provides local and long distance telephone service, digital wireless, digital cable and high-speed Internet access to its customers. The Sun News is also a major information sector employer in the Air Trade Area with approximately 250 employees.

## **1.6 Quality of Life**

The Air Trade Area has consistently been recognized as one of the best leisure destinations in the nation. In May 2010, *USA Today* named Myrtle Beach one of the "Top 5 Bargain Destinations for Summer 2010." In 2009, in *Southern Living* magazine's Reader's Choice Awards, the Grand Strand was named as the "Favorite Beach" the "Favorite Family Destination" and the "Favorite Weekend Getaway." In 2007, in a Yahoo! Travel poll, the Grand Strand won first place as the "World's Best Beach" based on consumer ratings collected through the online travel site.

In addition to being recognized as a top leisure destination, the Air Trade Area has also been recognized for its quality of life as well as its low costs of living and doing business. According to a May 2010 study in *Kiplinger's Personal Finance* magazine, the cost of living in the Air Trade Area is approximately nine percent below the national average. In a recent survey conducted by *Forbes* magazine, Myrtle Beach ranked as one of the top "100 Small Places for Businesses and Careers." The rankings were based on the average cost of doing business, potential for job growth, average education of the population, and number of area inhabitants.

## **1.7 Summary**

A summary of the socioeconomic trends in the Air Trade Area includes the following key points:

- The Air Trade Area is recognized as one of the nation's top leisure destinations primarily due to the quality and large quantity of golf courses in the area to choose from, as well as its mild climate, stretch of beaches along the Atlantic Ocean, shopping facilities, and numerous other attractions and recreational activities. In May 2010, *USA Today* named Myrtle Beach one of the "Top 5 Bargain Destinations for Summer 2010." In 2009, in *Southern Living* magazine's Reader's Choice Awards, the Grand Strand was named as the "Favorite Beach" the "Favorite Family Destination" and the "Favorite Weekend Getaway." In 2007, in a Yahoo! Travel poll, the Grand Strand won first place as the "World's Best Beach" based on consumer ratings collected through the online travel site.
- Actual and projected population growth is a leading indicator for assessing demand for air travel. Population growth in the Air Trade Area was more than twice that experienced for South Carolina and the nation between 1990 and 2009. Population growth for the Air Trade Area, South Carolina and the nation is expected to increase at a similar rate between 2009 and 2016.

- A growing labor force is an additional indicator of demand for air travel. Between 1999 and 2009, the Air Trade Area's civilian labor force increased at a CAGR that was more than twice that experienced by South Carolina and the nation during this same period.
- Nonagricultural employment in the Air Trade Area increased at a CAGR of 1.2 percent between 2001 and 2009, compared with a 0.1 percent decrease experienced nationwide over the same period. Four major industry sectors in the Air Trade Area experienced positive employment growth between 2001 and 2009, with growth occurring in the government (CAGR of 3.1 percent), services (2.3 percent), trade (2.0 percent) and information (0.3 percent) sectors
- Total bank deposits in the Air Trade Area steadily increased between 1999 and 2009 at a CAGR that was significantly faster than what was experienced by South Carolina and the nation during this same period.
- Air Trade Area residential building permit units and valuation experienced a more pronounced expansion and contraction cycle over the 1999 to 2009 period than the United States as a whole. Air Trade Area housing prices are expected to bottom in the third quarter of 2010, and prices are projected return to late-2006 peak levels by late-2014.
- Growth in per capita personal income for the Air Trade Area was slower than what was experienced in South Carolina and the nation between 2002 and 2009. Air Trade Area per capita personal income is projected to increase at a slightly slower rate than South Carolina and the nation between 2009 and 2016. However, according to a May 2010 study in *Kiplinger's Personal Finance* magazine, the cost of living in the Air Trade Area is approximately nine percent below the national average.
- The economic base of the Air Trade Area is strong and diversified, and is capable of supporting the forecasted air travel activity at the Airport during the projection period.

## II. Air Traffic

This chapter describes historical and projected aviation activities at the Airport and discusses key factors affecting trends in these activities. Specifically, this chapter addresses the airlines serving the Airport, historical aviation activity, factors affecting aviation demand, and projected activity at the Airport. Except as noted, information is presented based on the County's fiscal year, which ends June 30.

### 2.1 Airlines Serving the Airport

As of June 2010, the Airport had scheduled passenger service provided by 17 U.S. carriers. Scheduled service at the Airport is provided by six of the nation's 15 major U.S. passenger airlines<sup>1</sup>. Major passenger airlines currently providing scheduled service at the Airport include American Eagle, Atlantic Southeast, Comair, Continental, Delta, and US Airways. **Table II-1** lists the airlines serving the Airport as of June 2010. All-cargo carrier FedEx, provides feeder cargo service to the Airport with Caravans and Beechcraft aircraft.

**Table II-2** presents the historical air carrier base at the Airport since FY 2000. Due to the seasonal nature of the market, certain airlines reduce or eliminate service at the Airport during winter months. Seasonal service reductions by the Airport's air carrier base are not depicted in Table II-2, but are considered, where applicable, in this analysis. **Exhibit II-1** illustrates the seasonality of service at the Airport. As shown in Exhibit II-1, monthly departing seats peak during the months of May, June, July, and August. The total of the four peak months have represented 37.3, 39.4, and 42.2 percent of total departing seats for FY 2008, FY 2009, and FY 2010 respectively. Specific points concerning the Airport's historical air carrier base are presented below:

- Continental Carriers, Delta Carriers, and US Airways Carriers have operated at the Airport in each year FY 2000 through FY 2010. Continental's mainline service and regional affiliate ExpressJet have operated in each year FY 2000 through FY 2010, while regional affiliate Colgan, operating as Continental Connection, started in FY 2008. Delta's mainline service operated at the Airport from FY 2004 through FY 2007 and returned in FY 2010. Former Northwest Airlines, which Delta acquired, provided mainline service at the Airport from FY 2003 through FY 2010. In addition, in each year since FY 2003, US Airways' mainline service has been supplemented by affiliated airlines providing service as US Airways Express.
- Spirit, a low-cost carrier, has operated at the Airport during each of the years shown in Table II-2. In FY 2007, Spirit enplaned the largest share of passengers and accounted for the largest share of total landed weight among carriers or carrier groups at the Airport. From FY 2007 through FY 2010, Spirit has remained the largest enplanement and landed weight carrier among the carrier groups operating at the Airport. AirTran, another low-cost carrier, began serving the Airport in FY 2001 and discontinued service in FY 2007. In FY 2003, FY 2005, and FY 2006, AirTran eliminated its service to the Airport during the off-season period of October through February and subsequently resumed service in March/April.
- In FY 2005, major passenger airline, United Airlines, initiated service at the Airport through its regional affiliates operating as United Express with nonstop service to Chicago O'Hare.

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<sup>1</sup> As defined by the U.S. DOT, major U.S. airlines are airlines with gross operating revenues during any calendar year of more than \$1 billion. (US DOT issue date November 13, 2009 and effective January 1, 2010).

**Table II-1**

Scheduled Airlines Serving the Airport <sup>1/</sup>

<u>Mainline/Charter Carriers (6)</u>	<u>Regional/Commuter Carriers (12)</u>	<u>All-Cargo Airlines (1)</u>
Allegiant	American Carriers	FedEx
Continental <sup>2/</sup>	American Eagle	
Delta		
MB Direct	Continental Carriers	
Spirit	Colgan	
US Airways		
	Delta Carriers	
	Atlantic Southeast	
	Comair	
	Mesaba	
	Shuttle America <sup>3/</sup>	
	Porter	
	United Carriers <sup>2/</sup>	
	Shuttle America <sup>3/</sup>	
	US Airways Carriers	
	Air Wisconsin	
	Chautauqua	
	Mesa	
	PSA	
	Republic	

Notes:

1/ As of June 2010.

2/ In May 2010, United and Continental announced a planned merger, and the merger became legally effective on October 1, 2010

3/ Shuttle America provides regional service for Delta and United.

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Source: Horry County Department of Airports, June 2010.

Prepared by: Ricondo & Associates, Inc., August 2010.

**Table II-2**

**Scheduled Air Carrier Base**

Airline	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Continental Carriers <sup>1/</sup>	•	•	•	•	•	•	•	•	•	•	•
Delta Carriers <sup>2/</sup>	•	•	•	•	•	•	•	•	•	•	•
Spirit	•	•	•	•	•	•	•	•	•	•	•
US Airways Carriers <sup>3/</sup>	•	•	•	•	•	•	•	•	•	•	•
United Carriers <sup>4/</sup>						•	•	•	•	•	•
Myrtle Beach Direct								•	•	•	•
Allegiant										•	•
American Carriers <sup>5/</sup>											•
Porter											•
Airlines No Longer Serving the Airport											
Southern Skyways								•	•	•	
AirTran		•	•	•	•	•	•	•			
HootersAir				•	•	•	•				
Vanguard	•	•	•	•							
CCAir	•	•	•								
Corporate Express	•	•	•								
Midway	•	•									

Notes:

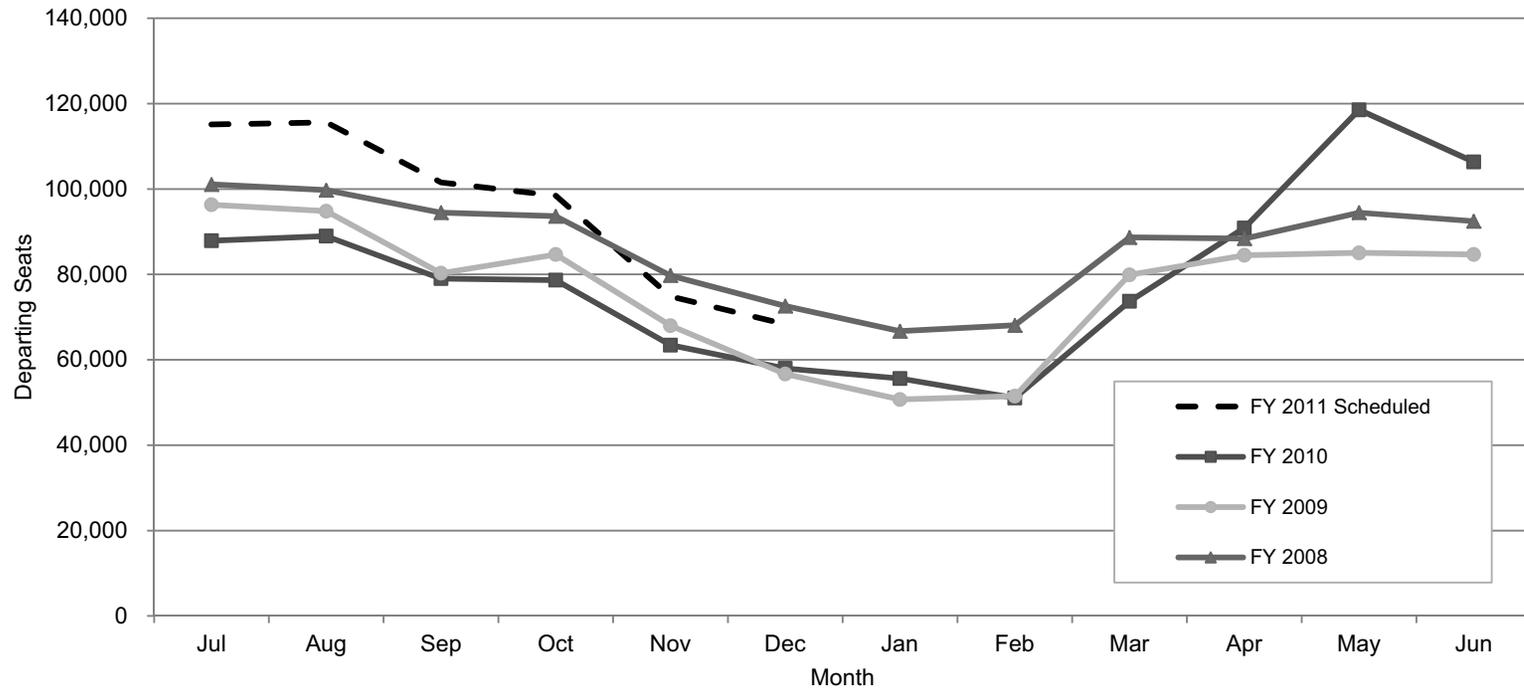
- 1/ Includes data for Continental, Colgan, and ExpressJet.
- 2/ Includes data for Delta, Atlantic Southeast, Chautauqua, Comair, Compass, Mesaba, Northwest, and Pinnacle.
- 3/ Includes data for US Airways, Air Wisconsin, Chautauqua, Mesa, Piedmont, PSA, Republic, and Trans States.
- 4/ Includes data for Air Wisconsin, Chautauqua, Mesa, Shuttle America, and Trans States.
- 5/ Includes American and American Eagle.

Source: Horry County Department of Airports, June 2010.

Prepared by: Ricondo & Associates, Inc., July 2010.

**Exhibit II-1**

**Monthly Departing Seats**



B-35

Sources: US DOT T-100 (FY 2008 - December 2009); Official Airline Guide (OAG) (January 2010 - December 2010), August 2010.

Prepared by: Ricondo & Associates, Inc., August 2010.

Specifically, those airlines currently operating at the Airport as United Express are Shuttle America and Trans States. For the purposes of this report, these airlines are referred to as United Carriers.

- Leisure carrier Direct Air initiated service at the Airport in FY 2007 with nonstop service to New York LaGuardia. Allegiant, another leisure carrier, started seasonal service at the Airport in FY 2009.
- In FY 2010, American Eagle, an American Carrier, initiated service to Dallas/Fort Worth. Porter, a Canadian regional airline, initiated seasonal service to Toronto, Canada in March 2010.

## **2.2 Historical Passenger Activity**

This section presents historical trends in enplaned passengers at the Airport and the major factors influencing these trends, as well as historical market shares of enplanements by airline.

### **2.2.1 Enplaned Passengers**

The Airport is classified by the FAA as a small hub airport based on its percentage of nationwide enplanements.<sup>2</sup> **Table II-3** presents historical enplanements for the Airport between FY 2000 and FY 2010 and CY 1999 to 2009. As shown, passenger activity at the Airport has fluctuated year over year, increasing from 712,282 enplanements in FY 2000 to 765,156 in FY 2010, a CAGR of 0.7 percent. From FY 2000 to FY 2003, Airport enplanements decreased at a compounded annual rate of 4.4 percent, as a result of the September 11, 2001 attacks and economic slowdown. Since 2003, Airport enplanements have increased in each year with the exception of FY 2006 and FY 2009. Airport enplanements increased at a CAGR of 3.0 percent from FY 2003 to FY 2010.

Specific details concerning enplaned passengers at the Airport between FY 2000 and FY 2010 are discussed below:

- **FY 2000 - FY 2001.** Enplaned passengers increased 8.9 percent in FY 2001 from FY 2000 levels, primarily due to the initiation of service by AirTran, a low-cost carrier, and the return of Continental service at the Airport. In addition, carriers already serving the Airport, including Atlantic Southeast, Spirit, and US Airways, experienced enplanement growth during this period.
- **FY 2002 - FY 2003.** Prior to September 11, the Airport had experienced a decrease in passenger enplanements in FY 2002 when compared to FY 2001. Monthly enplanements in June, July, and August at the Airport were below corresponding levels in FY 2001. The events of September 11 worsened the situation, and enplaned passengers in September 2001 were 29.2 percent lower than September 2000 levels. Following September 11, three airlines (CCAir, Corporate Express, and Midway) eliminated service at the Airport. In FY 2001, these three airlines accounted for 105,449 enplanements at the Airport. Overall, the effects of September 11 and the economic slowdown resulted in enplaned passengers decreasing 16.9 percent in FY 2002 from FY 2001 levels. A number of factors contributed to this decrease in passengers, including a reduction in airline service, a reduction in business travel and leisure travel due to the economic slowdown, the increasing disruptions and added travel time associated with new security screening requirements, and continued public concerns

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<sup>2</sup> As defined by the FAA, a small hub airport enplanes between 0.05 percent and 0.25 percent of nationwide enplanements during a calendar year. This percentage range of nationwide enplanements equates to 349,400 to 1,701,300 passengers in CY 2009, the latest calendar year for determining airport hub size.

**Table II-3**  
Historical Enplaned Passengers

Fiscal Year Ending June 30			Calendar Year								
Fiscal Year	Airport Enplaned Passengers	Annual Growth Rate	Calendar Year	Airport Enplaned Passengers	Annual Growth Rate	U.S. Enplaned Passengers <sup>1/</sup>	Annual Growth Rate	Airport Share of U.S.	ASO Enplaned Passengers <sup>1/</sup>	Annual Growth Rate	Airport Share of ASO
			1999	648,217	-	675,525,321	-	0.096%	149,195,553	-	0.434%
2000	712,282	-	2000	792,529	22.3%	704,848,031	4.3%	0.112%	156,206,236	4.7%	0.507%
2001	775,689	8.9%	2001	711,520	(10.2%)	693,148,020	(1.7%)	0.103%	155,316,701	(0.6%)	0.458%
2002	644,781	(16.9%)	2002	631,283	(11.3%)	627,651,689	(9.4%)	0.101%	142,217,817	(8.4%)	0.444%
2003	623,272	(3.3%)	2003	668,951	6.0%	643,225,115	2.5%	0.104%	147,097,636	3.4%	0.455%
2004	752,031	20.7%	2004	768,944	14.9%	690,968,138	7.4%	0.111%	158,465,017	7.7%	0.485%
2005	778,714	3.5%	2005	785,321	2.1%	733,406,794	6.1%	0.107%	171,060,746	7.9%	0.459%
2006	726,776	(6.7%)	2006	723,900	(7.8%)	732,886,752	(0.1%)	0.099%	165,431,107	(3.3%)	0.438%
2007	787,426	8.3%	2007	844,373	16.6%	756,525,465	3.2%	0.112%	172,000,918	4.0%	0.491%
2008	840,312	6.7%	2008	783,351	(7.2%)	746,909,759	(1.3%)	0.105%	172,935,716	0.5%	0.453%
2009	742,744	(11.6%)	2009	742,187	(5.3%)	689,323,986 <sup>2/</sup>	(7.7%)	0.108%	160,629,248 <sup>2/</sup>	(7.1%)	0.462%
2010	765,156	3.0%									
Compounded Annual Growth Rate			Compounded Annual Growth Rate								
2000 - 2010	0.7%		1999 - 2009	1.4%		0.2%			0.7%		
2000 - 2003	(4.4%)		1999 - 2002	(0.9%)		(2.4%)			(1.6%)		
2003 - 2010	3.0%		2002 - 2009	2.3%		1.3%			1.8%		

Note:  
1/ FAA Terminal Area Forecast Data.  
2/ Forecast by the FAA.

Sources: Horry County Department of Airports (Airport activity); FAA (U.S. activity), June 2010.  
Prepared by: Ricondo & Associates, Inc., July 2010.

B-37

about air travel safety. This decrease in passengers at the Airport extended through FY 2003, in which annual enplanements were 3.3 percent below FY 2002 levels.

- **FY 2004 - FY 2005.** Enplaned passengers at the Airport increased 20.7 percent in FY 2004 from FY 2003 levels, its highest annual growth since FY 1996. This significant growth was partly attributed to a full-year of activity by HootersAir and Northwest, both of which initiated service at the Airport in FY 2003. In addition, each airline serving the Airport in FY 2004 experienced an increase in total enplanements when compared to FY 2003 levels. United Express Carriers Mesa and Shuttle America (and subsequently Air Wisconsin in FY 2006) initiated service at the Airport in FY 2005. Total enplanements reached 778,714 in FY 2005 and surpassed the Airport's previous record annual enplanement level of 775,689 passengers reached in FY 2001.
- **FY 2006.** Total Airport enplanements decreased from 778,714 passengers in FY 2005 to 726,776 in FY 2006, a decrease of 6.7 percent. In the first three months of FY 2006, 14,658 more enplanements occurred at the Airport compared to the same period in FY 2005. Over the remaining nine months of the fiscal year, October through June, the Airport enplaned 66,596 fewer passengers as compared to the prior year. The resulting decrease in total annual enplanements, a decrease of 51,938 passengers, is primarily attributable to the ceasing of operations by HootersAir and significant decreases in enplanements by Delta Carriers and Spirit. The impacts of service eliminations/reductions by HootersAir, Delta Carriers, and Spirit were greater than the increased enplanement levels of United Carriers (33,747 more enplanements), AirTran (10,008 more enplanements), and US Airways Carriers (7,938 more enplanements) in FY 2006 as compared to FY 2005.
- **FY 2007 – FY 2008.** In FY 2007, leisure carrier Direct Air initiated service at the Airport. Spirit also initiated service to Boston and Fort Lauderdale and increased service to Atlantic City, Detroit, and New York LaGuardia. Airport enplanements increased from 726,776 in FY 2006 to 787,426 in FY 2007, an increase of 8.3 percent. In FY 2008, Spirit expanded their Boston and Fort Lauderdale. Enplanements increased 6.7 percent to 840,312 in FY 2008, surpassing the record set the previous year.
- **FY 2009 – FY 2010.** The global economic slowdown, higher fuel prices, and capacity cuts by airlines in late 2008 and 2009 resulted in an 11.6 percent decrease in Airport enplanements from 840,312 in FY 2008 to 742,744 in FY 2009. The following summarizes some of the capacity cuts that occurred at the Airport during FY 2009:
  - Delta Carriers reduced service to Cincinnati and Detroit;
  - Spirit reduced service to Atlantic City, Boston, and New York LaGuardia;
  - United Carriers reduced service to Washington Dulles; and US Airways Carriers reduced service to Charlotte, New York LaGuardia, and Philadelphia.

Airport enplanements subsequently increased from 724,744 in FY 2009 to 765,156 in FY 2010, an increase of 3.0 percent. The increase is attributed to expanded service in late FY 2010. In April 2010, American Eagle and Delta mainline began service at the Airport. Spirit added seasonal service to Atlanta and Allegiant expanded seasonal service in May 2010. As a result, Airport enplanements in May 2010 increased 30.1 percent over the same period in 2009 while June, July, and August 2010 enplanements increased 13.3 percent, 29.3 percent, 29.6 percent, respectively for each month over the same periods in 2009.

For comparative purposes, also shown in Table II-3 are historical enplanements (based on CY statistics) for the Airport, the nation, and the FAA's Southeast Region (ASO), in which the Airport is located. As shown, passenger activity at the Airport increased from 648,217 enplanements in CY 1999 to CY 742,187 in 2009, a CAGR of 1.4 percent. Over the same period, the nation's enplanements increased from 675.6 million to 689.3 million or 0.2 percent annually and enplanements in the FAA's ASO region increased from 149.2 million to 160.6 million or 0.7 percent annually. From CY 1999 to CY 2009, enplaned passengers at the Airport have increased at a CAGR higher than that of the nation and ASO region.

### **2.2.2 Enplaned Passengers by Airline**

Service at the Airport has historically been shifting toward the low-cost and leisure carriers, with their share of enplaned passengers at the Airport increasing from 27.5 percent in FY 2006 to 49.8 percent in FY 2010. **Table II-4** presents the historical share of enplanements by airline/airline grouping at the Airport between FY 2006 and FY 2010. As shown, enplanements are spread over a number of carriers, with Spirit's 40.5 percent of enplanements in FY 2009 being the highest during the years depicted.

Specific points regarding airline market shares of enplanements at the Airport are discussed below:

- Spirit, the largest carrier based on enplanements, enplaned 38.2 percent of total Airport passengers in FY 2010. From FY 2007 to FY 2010, Spirit has remained the largest carrier at the Airport based on enplaned passengers.
- US Airways Carriers (includes US Airways mainline service, Air Wisconsin, Chautauqua, Mesa, Piedmont, PSA, Republic, and Trans States) had the highest share of enplaned passengers at the Airport during FY 2006 at 31.9 percent. From FY 2006 to FY 2010, US Airways Carriers market share of enplaned passengers decreased from 31.9 percent to 25.9 percent.
- Delta Carriers (includes Delta mainline, Atlantic Southeast, Chautauqua, Comair, Compass, Mesaba, Northwest and Pinnacle) enplaned over 22 percent of the Airport's total enplaned passengers in FY 2006. In FY 2006, Delta Carriers enplaned the second-highest share of passengers at the Airport behind US Airways Carriers (31.9 percent) and ahead of Spirit (21.0 percent). By FY 2010, Delta Carriers enplaned 18.6 percent of total Airport enplanements, the third-highest share behind Spirit and US Airways Carriers.
- Continental Carriers have maintained a market share between 3.6 percent and 4.0 percent over the years depicted in Table II-4. Continental Carriers have continued to provide year-round nonstop service to Continental's hub in Newark, NJ.
- United Carriers market share of enplanements at the Airport decreased from 9.2 percent in FY 2006 to 1.3 percent in FY 2010. This decrease in market share of enplanements was due to its reduction of service to Chicago O'Hare and Washington Dulles starting in FY 2007.
- New carriers providing service at the Airport during this period include Direct Air in FY 2007 (enplaning 8.2 percent of enplaned passengers in FY 2010), Allegiant in FY 2008 (enplaning 0.6 percent of enplaned passengers in FY 2009 and 3.4 in FY 2010).

### **2.3 Historical Air Service**

An important airport characteristic is the distribution of its O&D markets, which is a function of air travel demands and available services and facilities. This is particularly true for the Airport, as it serves primarily O&D passengers. **Table II-5** presents historical data on the Airport's primary O&D

**Table II-4**  
Historical Enplaned Passengers by Airline

Rank in FY 2010	Airline	FY 2006		FY 2007		FY 2008		FY 2009		FY 2010	
		Enplaned Passengers	Share								
1	Spirit	152,976	21.0%	260,729	33.1%	334,338	39.8%	300,974	40.5%	292,038	38.2%
2	US Airways Carriers <sup>1/</sup>	231,794	31.9%	240,851	30.6%	240,179	28.6%	195,440	26.3%	197,952	25.9%
3	Delta Carriers <sup>2/</sup>	161,621	22.2%	160,557	20.4%	154,752	18.4%	130,581	17.6%	142,288	18.6%
4	MB Direct	-	0.0%	11,581	1.5%	45,175	5.4%	57,971	7.8%	62,758	8.2%
5	Continental Carriers <sup>3/</sup>	29,139	4.0%	28,117	3.6%	30,811	3.7%	29,532	4.0%	28,115	3.7%
6	Allegiant	-	0.0%	-	0.0%	-	0.0%	4,358	0.6%	26,082	3.4%
7	United Carriers <sup>4/</sup>	66,801	9.2%	47,713	6.1%	31,411	3.7%	21,146	2.8%	10,242	1.3%
8	American Carriers <sup>5/</sup>	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,392	0.3%
9	Porter	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,277	0.2%
10	AirTran	47,030	6.5%	35,491	4.5%	-	0.0%	-	0.0%	-	0.0%
11	HootersAir	36,526	5.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	Other <sup>6/</sup>	889	0.1%	2,387	0.3%	3,646	0.4%	2,742	0.4%	2,012	0.3%
	<b>Airport Total</b>	<b>726,776</b>	<b>100.0%</b>	<b>787,426</b>	<b>100.0%</b>	<b>840,312</b>	<b>100.0%</b>	<b>742,744</b>	<b>100.0%</b>	<b>765,156</b>	<b>100.0%</b>

Notes:

- 1/ Includes data for US Airways, Air Wisconsin, Chautauqua, Mesa, Piedmont, PSA, Republic, and Trans States.
- 2/ Includes data for Delta, Atlantic Southeast, Chautauqua, Comair, Compass, Mesaba, Northwest, and Pinnacle.
- 3/ Includes data for Continental, Colgan, and ExpressJet.
- 4/ Includes data for Air Wisconsin, Chautauqua, Mesa, Shuttle America, and Trans States.
- 5/ Includes American and American Eagle.
- 6/ Consists of charter & other activity.

Source: Horry County Department of Airports, June 2010.

Prepared by: Ricondo & Associates, Inc., July 2010.

B-40

**Table II-5**  
Primary Domestic O&D Passenger Markets

FY 2004					FY 2009						
Rank	Market	Total Domestic O&D Passengers	Average One-Way Fare	Yield Per Coupon Mile	Rank	Market	Nonstop Service 1/	Stage Length 2/	Total Domestic O&D Passengers	Average One-Way Fare	Yield Per Coupon Mile
1	New York/Newark <sup>3/</sup>	230,470	\$103	\$0.1449	1	New York/Newark <sup>3/</sup>	•	SH	282,750	\$113	\$0.1757
2	Detroit	102,200	\$78	\$0.1209	2	Atlantic City	•	SH	119,190	\$62	\$0.1333
3	Atlanta	78,750	\$84	\$0.2634	3	Boston	•	MH	114,590	\$89	\$0.1145
4	Atlantic City	75,820	\$77	\$0.1645	4	Detroit	•	MH	95,350	\$80	\$0.1235
5	Boston	60,300	\$106	\$0.1131	5	Fort Lauderdale	•	SH	50,180	\$78	\$0.1366
6	Chicago <sup>4/</sup>	59,760	\$99	\$0.1202	6	Chicago <sup>4/</sup>	•	MH	44,440	\$122	\$0.1432
7	Fort Lauderdale	36,040	\$78	\$0.1289	7	Philadelphia	•	SH	28,540	\$118	\$0.1916
8	Pittsburgh	35,910	\$102	\$0.1731	8	Pittsburgh	•	SH	25,770	\$120	\$0.2040
9	Philadelphia	26,860	\$120	\$0.1817	9	Washington DC <sup>5/</sup>	•	SH	25,520	\$138	\$0.2920
10	Dallas/Ft. Worth	24,440	\$138	\$0.1264	10	Atlanta	•	SH	18,050	\$180	\$0.5559
11	Minneapolis/St. Paul	22,070	\$125	\$0.1091	11	Orlando	•	SH	16,530	\$116	\$0.2055
12	Washington DC <sup>5/</sup>	21,270	\$119	\$0.2286	12	Los Angeles	•	LH	16,350	\$190	\$0.0817
13	Kansas City	19,880	\$99	\$0.0980	13	Baltimore	•	SH	15,950	\$147	\$0.2678
14	Denver	19,170	\$143	\$0.0940	14	Las Vegas	•	LH	14,680	\$183	\$0.0858
15	Las Vegas	18,840	\$144	\$0.0686	15	Minneapolis/St. Paul	•	MH	14,230	\$138	\$0.1171
16	Los Angeles	18,280	\$153	\$0.0665	16	Columbus, OH	•	SH	14,060	\$111	\$0.1790
17	Cincinnati	16,890	\$119	\$0.2264	17	Albany	•	MH	13,690	\$127	\$0.1574
18	Akron	16,700	\$102	\$0.1292	18	Denver	•	MH	10,890	\$211	\$0.1351
19	Baltimore	16,080	\$112	\$0.1852	19	Hartford	•	MH	10,080	\$139	\$0.1612
20	Buffalo	16,000	\$103	\$0.1223	20	Dallas/Ft. Worth	•	MH	9,630	\$235	\$0.2137
	Other Markets	370,140				Other Markets			257,500		
	Total	1,285,870				Total			1,197,970		
	Airport <sup>6/</sup>		\$112	\$0.1366		Airport <sup>6/</sup>		716		\$119	\$0.1536
	United States		\$138	\$0.1203		United States				\$152	\$0.1315

B-41

Notes:

- 1/ Nonstop markets as of the week August 15 - 21, 2010.
- 2/ (SH) Short Haul = 0 to 600 miles  
(MH) Medium Haul = 601 to 1,800 miles  
(LH) Long Haul = over 1,800 miles
- 3/ Includes John F. Kennedy (JFK), LaGuardia (LGA), and Liberty International (EWR) Airports.
- 4/ Includes Midway (MDW) and O'Hare (ORD) Airports.
- 5/ Includes Dulles (IAD) and Reagan National (DCA) Airports
- 6/ Average calculated for all of the Airport's O&D markets.

Source: O&D Survey of Airline Passenger Traffic, U.S. DOT, July 2010.  
Prepared by: Ricondo & Associates, Inc., July 2010.

markets. As shown, the Airport served primarily short- and medium-haul markets in the periods depicted, with an average stage length (i.e., passenger trip distance) of 716 miles in FY 2009. The Airport's average stage length during these periods reflect the Airport's geographical location and strong local demand for the New York market, as well as other Eastern (i.e., Atlantic City, Boston, and Washington), Midwestern (i.e., Detroit and Chicago), and Southern (i.e., Atlanta and Fort Lauderdale) markets.

Annual O&D passenger levels at the Airport were approximately 1.2 million total passengers in FY 2009. Between FY 2004 and FY 2009, total O&D passengers for the New York/Newark market increased by more than 50,000 passengers, an increase of approximately 23 percent. This increase can be partly attributed to increased service by Continental, Spirit, and US Airways. Over the same period, total O&D passengers increased significantly in the Atlantic City, Boston, and Fort Lauderdale. These increases could be partly attributed to lower fares in each market and increased service.

As a tourism and leisure travel dominated market, air carrier service at the Airport experiences seasonal fluctuations and there are typically more daily flights on weekend days versus weekdays. **Table II-6** presents the Airport's weekly scheduled nonstop markets as of August 15 - 21, 2010. Daily nonstop service is provided to the Airport's largest O&D markets; Atlantic City (Spirit), Atlanta (Delta Carriers & Spirit), Boston (Spirit), Charlotte (US Airways Carriers), Chicago (Spirit), Dallas/Ft Worth (American Eagle), Detroit (Delta Carriers & Spirit), Ft. Lauderdale (Spirit) and New York/Newark (Continental Carriers, Delta Carriers, & Spirit). Allegiant provides four weekly flights to Allentown and Huntington and two weekly flights to Fort Wayne, Grand Rapids, Knoxville and Youngstown. United Carriers offer two weekly flights to Chicago and US Airways Carriers provide four and five weekly flight to Washington DC (Ronald Reagan Washington National Airport) and Philadelphia, respectively.

## **2.4 Historical Aircraft Operations and Landed Weight**

This section presents historical aircraft operations (takeoffs or landings) by major user category at the Airport, as well as historical landed weight by passenger airlines.

### **2.4.1 Aircraft Operations**

**Table II-7** presents historical aircraft operations at the Airport by major user category between FY 2005 and FY 2010. Total aircraft operations at the Airport fluctuated slightly over the period, increasing from 57,826 operations in FY 2005 to 91,848 operations in FY 2010, a compounded annual increase of 9.7 percent during this period. Specific points concerning trends in operational activity by major user category at the Airport are discussed below:

- **Mainline.** In FY 2006, mainline operations at the Airport decreased 18.7 percent to 10,214 from FY 2005 due to US Airways shifting a growing share of its mainline service to regionals/commuters at the Airport. Mainline operations increased at a CAGR of 9.0 percent from FY 2006 to FY 2008 due in part to Spirit's new and increased service discussed earlier. In FY 2009, the economic slowdown and high fuel prices lead to capacity cuts in mainline service. Mainline operations decreased to 11,780 in FY 2009 from FY 2008, a decrease of 3.0 percent. In FY 2010, operations continued to decline to 10,183. The reduction in mainline operations by Spirit and US Airways accounted for the majority of the decline in FY 2010.
- **Regionals/Commuters.** Regionals/commuters are passenger air carriers having the majority of its scheduled and/or nonscheduled service using aircraft with 90 seats or less. Regional/commuter activity increased from 11,486 operations in FY 2005 to 12,024 in FY

**Table II-6**

**Nonstop Markets**

Market	Weekly Nonstop Flights	Number of Airlines <sup>1/</sup>	Airline (Operating Carriers) - Weekly Departures
Allentown	4	1	Allegiant
Atlanta	49	2	Delta Carriers -42, Spirit - 7
Atlantic City	12	1	Spirit
Boston	7	1	Spirit
Charlotte	56	1	US Airways Carriers
Chicago	9	2	Spirit - 7, United Carriers -2
Dallas	7	1	American Eagle
Detroit	14	2	Delta - 7, Spirit - 7
Fort Lauderdale	7	1	Spirit
Fort Wayne	2	1	Allegiant
Grand Rapids	2	1	Allegiant
Huntington, WV	4	1	Allegiant
Knoxville	2	1	Allegiant
New York/Newark <sup>2/</sup>	54	4	EWR: Continental Carriers -9, MB Direct - 4; LGA : Delta Carriers - 14, Spirit -27
Philadelphia	5	1	US Airways Carriers
Washington DC <sup>3/</sup>	4	1	US Airways Carriers
Youngstown	2	1	Allegiant
<b>Total</b>	<b>238</b>		

Notes:

1/ Published Carriers

2/ Newark Liberty International (EWR), New York LaGuardia (LGA).

3/ Reagan National (DCA).

Source: Official Airline Guide, Inc. (Week of August 15 - 21, 2010).

Prepared by: Ricondo & Associates, Inc., July 2010.

B-43

**Table II-7**

Historical Aircraft Operations

Fiscal Year	Mainline	Regional / Commuters	Airline Total	General Aviation	Other Air Taxi <sup>1/</sup>	Military	Total
2005	12,564	11,486	24,050	18,335	11,099	4,342	57,826
2006	10,214	12,024	22,238	19,744	11,495	5,491	58,968
2007	11,314	10,546	21,860	22,304	7,658	6,739	58,561
2008	12,139	9,775	21,914	23,067	9,092	5,291	59,364
2009	11,780	8,296	20,076	15,647	39,638	5,654	81,015
2010	10,183	10,224	20,362	14,147	52,698	4,641	91,848
<u>Compounded Annual Growth Rate</u>							
2005 - 2010	-4.1%	-2.3%	-3.3%	-5.1%	36.6%	1.3%	9.7%

Notes:

1/ Includes All-Cargo feeder and charter operations.

Source: FAA Air Traffic Activity Data System (ATADS), Horry County Department of Airports, August 2010.

Prepared by: Ricondo & Associates, Inc., August 2010.

2006 (an annual compounded growth rate of 4.7 percent), due to US Airways shifting operations to its regional/commuter affiliates as mentioned previously. From FY 2007 to FY 2009, regional/commuter operations decreased from 10,546 to 8,296, a compounded annual decrease of 7.7 percent. The decrease in operations can be attributed to United Carriers reduction in service to Chicago, Delta Carriers and US Airways Carriers' reduction in service, and an up gauge in aircraft size as carriers attempted to become more cost effective in a rising fuel cost market. Regional/commuter operations have increased in FY 2010 to 10,224 as US Airways moved some mainline operations to regional/commuter carriers and Porter, a regional/commuter airline, initiated service at the Airport.

- **General Aviation.** Activity by this user increased from FY 2005 through FY 2008, experiencing a CAGR of 8.0 percent during this period. From FY 2008 to FY 2010, activity in this category decreased from 23,067 to 14,147 operations. From FY 2005 to FY 2010, general aviation activity has decreased at a compounded annual rate of 5.1 percent.
- **Other Air Taxi.** This category includes activity by for-hire charters, fixed base operators, and other miscellaneous operators, including all-cargo operations by FedEx feeder aircraft. Operations have increased from 11,099 in FY 2005 to 52,698 in FY 2010; this increase represents a CAGR of 36.6 percent.
- **Military.** Military activity at the Airport remained relatively stable between FY 2005 and FY 2010, ranging from a low of 4,342 operations in FY 2005 to a high of 6,739 operations in FY 2007. In FY 2010, military operations declined to 4,641 operations from 5,654 operations in FY 2009. From FY 2005 through FY 2010, military operations have increased at a CAGR of 1.3 percent.

#### **2.4.2 Landed Weight by Airline**

**Table II-8** presents the historical share of landed weight by passenger airlines at the Airport between FY 2006 and FY 2010. As shown, Delta Carriers, Spirit, and US Airways Carriers, currently the largest passenger carriers in terms of enplaned passengers, also had the highest shares of landed weight at the Airport with a combined share of over 83 percent in FY 2010. Spirit was the largest carrier with 35.9 percent of total Airport landed weight in FY 2010. Delta Carriers' landed weight has remained fairly stable decreasing from 20.5 percent in FY 2006 to 19.1 percent in FY 2010. Over the same period, US Airways Carrier's landed weight decreased from 33.1 percent to 28.1 percent. After initiating service at the Airport in FY 2007, Direct Air accounted for 9.4 percent of the Airport's total landed weight in FY 2010. From FY 2006 to FY 2010, United Carriers share of the Airport's total landed weight has decreased from 9.2 percent to 1.5 percent and Continental Carriers share decreased from 3.5 percent to 3.1 percent. All other airlines operating at the Airport each accounted less than 3.0 percent of the Airport's total annual landed weight in FY 2010.

### **2.5 Factors Affecting Aviation Demand and the Airline Industry**

This section discusses qualitative factors that could influence future aviation activity at the Airport. While data and/or information related to these factors have not specifically been incorporated into the projections of Airport activity discussed in Section 2.5 (e.g., jet fuel prices), these factors were indirectly considered and analyzed in developing the projections.

#### **2.5.1 National Economy**

Air travel demand is directly correlated to consumer income and business profits. As consumer income and business profits increase, so does demand for air travel. In 2008, the combination of declines in construction activity, losses in housing-related securities, rising oil prices and a falling

**Table II-8**

Historical Landed Weight by Airline (000's pounds)

Rank in FY 2010	Airline	FY 2006		FY 2007		FY 2008		FY 2009		FY 2010	
		Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
1	Spirit	189,588	20.4%	334,104	33.9%	408,258	39.6%	378,367	39.5%	344,441	35.9%
2	US Airways Carriers <sup>1/</sup>	307,846	33.1%	302,790	30.8%	325,465	31.5%	284,100	29.6%	269,441	28.1%
3	Delta Carriers <sup>2/</sup>	190,694	20.5%	177,656	18.0%	160,845	15.6%	143,892	15.0%	182,904	19.1%
4	MB Direct	-	0.0%	10,651	1.1%	60,636	5.9%	90,954	9.5%	90,129	9.4%
5	Continental Carriers <sup>3/</sup>	32,595	3.5%	32,783	3.3%	33,993	3.3%	32,867	3.4%	30,104	3.1%
6	Allegiant	-	0.0%	-	0.0%	-	0.0%	2,651	0.3%	22,603	2.4%
7	United Carriers <sup>4/</sup>	85,477	9.2%	62,123	6.3%	36,234	3.5%	23,796	2.5%	14,419	1.5%
8	American Carriers <sup>5/</sup>	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,286	0.2%
9	Porter	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,667	0.2%
10	AirTran	52,520	5.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
11	HootersAir	68,627	7.4%	60,320	6.1%	-	0.0%	-	0.0%	-	0.0%
	Other <sup>6/</sup>	1,564	0.2%	4,021	0.4%	6,255	0.6%	1,819	0.2%	1,779	0.2%
	<b>Airport Total</b>	<b>928,911</b>	<b>100.0%</b>	<b>984,448</b>	<b>100.0%</b>	<b>1,031,686</b>	<b>100.0%</b>	<b>958,446</b>	<b>100.0%</b>	<b>959,773</b>	<b>100.0%</b>

Notes:

- 1/ Includes data for US Airways, Air Wisconsin, Chautauqua, Mesa, Piedmont, PSA, Republic, and Trans States.
- 2/ Includes data for Delta, Atlantic Southeast, Chautauqua, Comair, Compass, Mesaba, Northwest, and Pinnacle.
- 3/ Includes data for Continental, Colgan, and ExpressJet.
- 4/ Includes data for Air Wisconsin, Chautauqua, Mesa, Shuttle America, and Trans States.
- 5/ Includes American and American Eagle.
- 6/ Consists of charter & other activity.

Source: Horry County Department of Airports, June 2010.

Prepared by: Ricondo & Associates, Inc., July 2010.

stock market eventually tipped the economy into recession. The nation's non-seasonally adjusted unemployment rate rose from 5.4 percent in January 2008 to 7.1 percent in December 2008. In the first half of 2009, the nation's unemployment rate continued to increase and by October 2009, the nation's unemployment rate was at 10.2 percent, the highest rate since April 1983. The nation's unemployment rate was 9.9 percent in April 2010. U.S. GDP remained positive or slightly negative for the first three quarters of 2008, before entering a sharp decline of 5.4 percent in the fourth quarter of 2008. Consumer and business spending began to decline sharply in the third quarter of 2008 and mounting stress in financial markets reached a breaking point in September 2008, triggering a decline in stock market wealth that further reduced consumer and business spending. This sharp decline continued into the first quarter of 2009 as the nation's GDP decreased for the third straight quarter at a rate of 6.4 percent. In February 2009, the federal government passed a \$787 billion package of tax cuts and new federal spending aimed at stimulating private sector economic activity. U.S. GDP for the second quarter of 2009 decreased by a smaller rate of 1.0 percent when compared to the first quarter of 2009.

Recently, trends in U.S. GDP have improved, with the nation recording an increase of 2.2 percent in the third quarter of 2009, followed by additional gains of 5.6 percent and 3.0 percent in the fourth quarter of 2009 and the first quarter of 2010, respectively. The rise in real GDP in recent quarters is reflective of stronger consumer spending in this period. According to US Bureau of Transportation Statistics data, air travel began to rebound in late 2009, and has increased at a 1.3percent rate since March 2010. According to the latest forecast from the Congressional Budget Office (CBO), U.S. GDP is projected to grow by 1.7 percent in 2010, by 3.5 percent in 2011, and by an average of 4.7 percent in 2012 and 2013,<sup>3</sup> which suggests the upward trend in air travel should continue. However, should the economy stall, or again trend downward (e.g., encounter a "double-dip" recession), aviation demand nationwide will likely be negatively impacted.

## **2.5.2 State of the Airline Industry**

Following the restructuring years after September 11<sup>th</sup>, the airline industry finally gained ground in 2007 with virtually every U.S. carrier posting profits. In 2007, the major airlines had managed to restrain capacity in a growing economy. In 2008 and through the first half of 2009, the combination of record high fuel prices, weakening economic conditions, and a weak dollar resulted in the worst financial environment for U.S. network and low-cost carriers since the September 11<sup>th</sup> terrorist attacks. In 2008, many of the domestic network competitors announced significant capacity reductions, increases in fuel surcharges, fares and fees, and other measures to address the challenges. Whereas the capacity reductions in the beginning of the century were the direct results of terror threats targeting the traveling public, the industry reductions starting in late 2008 through the first half of 2009 were primarily driven by significant increases in fuel costs over a span of two and a half years, a weak dollar exacerbating the impact of increased fuel costs for U.S. carriers, and the contraction of the U.S. economy.

In 2010, global passenger demand has begun to rebound from the economic recession. For the first six months of 2010, domestic U.S. airlines have recorded a 1.2 percent increase in traffic compared to the same period last year. Additionally, the International Air Transport Association (IATA) has now revised its passenger traffic estimates for 2010 upwards by 4.5 percent (as against the previous forecast of 3.2 percent in September 2009). According to IATA, an estimated 2.28 billion people are

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<sup>3</sup> Source: Congressional Budget Office, *The Budget and Economic Outlook: An Update*, available online at <http://www.cbo.gov/ftpdocs/105xx/doc10521/08-25-BudgetUpdate.pdf>, last accessed in May 2010.

expected to fly in 2010, which would bring the total passenger numbers back in line with the peak recorded in 2007.

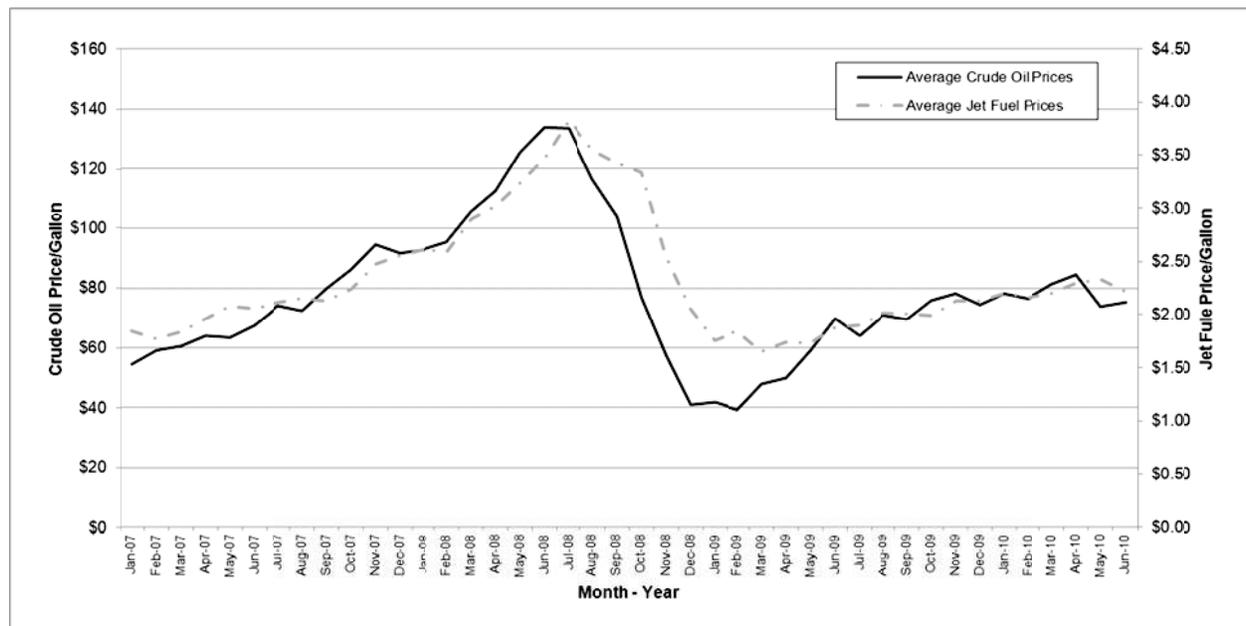
### 2.5.3 Cost of Aviation Fuel

The price of fuel is the most significant force affecting the airline industry today. The average price of jet fuel was \$0.82 per gallon in 2000 compared to \$3.07 in 2008, an increase of 275 percent. With airline profitability under pressure from escalating fuel costs, airlines increased air fares and imposed fuel surcharges. During the ascent of jet fuel prices in the second quarter of 2008, average air fares for the nation rose to \$161 from \$150 compared to second quarter 2007, or an increase of 7.2 percent. For the Airport, average air fares rose by 8.4 percent over the same comparison period to \$184. Generally speaking, increases in air fares have an inverse relationship to air travel demand. The average price of jet fuel decreased to \$1.90 per gallon in 2009; however, this cost still represents an increase of 132 percent from 2000 prices. The average price of jet fuel remains high, at \$2.33 per gallon in May 2010. According to the Air Transport Association (ATA), every one-cent increase in the price per gallon of jet fuel increases annual airline operating expenses by approximately \$175 to \$200 million. Aloha Airlines, ATA, and SkyBus cited high fuel prices as the contributing factor in their respective Chapter 11 bankruptcy filings.

According to the ATA, U.S. airline fuel expense increased from \$16.4 billion in 2000 to \$32.3 billion in 2009, a CAGR of 7.8 percent during this period. The most significant annual increase occurred in 2008, when fuel expenses increased 37.9 percent from \$41.9 billion in 2007 to \$57.8 billion in 2008. On July 11, 2008, oil prices rose to a new record of \$147 per barrel following concerns over Iranian missile testing. During the remaining months of 2008 oil prices declined from their July peak and closed out the year at an average of approximately \$40 per barrel (December 2008). **Exhibit II-2** shows the monthly averages of jet fuel and crude oil prices from January 2007 through June 2010.

#### Exhibit II-2

Historical Monthly Averages of Jet Fuel and Crude Oil Prices



Source: Air Transport Association (ATA), August 2010.  
Prepared by: Ricondo & Associates, Inc., August 2010.

In 1999, jet fuel accounted for nearly 10 percent of an airline's operating expenses and historically, fuel expense was the second highest operating expense for an airline behind labor. More recently, jet fuel surpassed labor as the airline's largest operating expense, according to the Air Transport Association. In 2008, fuel comprised approximately 30.6 percent and labor 20.3 percent of an airline's total operating costs. As oil prices fell in the first quarter of 2009, labor once again became the airlines' largest operating expense representing 25.8 percent versus fuel at 21.3 percent. In the third quarter of 2009, these shares of total operating costs were 24.9 percent and 23.8 percent, respectively. Despite recent drops in jet fuel prices, the airlines followed through on plans to curtail capacity in the weak economy. At the height of the industry capacity decline, the first quarter of 2009, domestic seat-capacity dropped by 11.0 percent versus the first quarter of 2008. Demand for domestic air travel, as measured by revenue passenger miles (RPMs), slipped at a similar rate of 11.6 percent during this period. According to *usatoday.com*, scheduled domestic capacity was down 1.1 percent in July 2010 compared to the same month in 2009.<sup>4</sup>

#### **2.5.4 Airline Seat Capacity Reductions**

Domestic airline seat capacity decreased 9.1 percent nationwide in the first half of 2009 compared to the same period in 2008, based on the schedules of top domestic carriers.<sup>5</sup> Total scheduled domestic seats for these carriers decreased by 40.9 million, from approximately 452.0 million seats in the first half of 2008 to 411.1 million seats in 2009. Network carriers accounted for most of this reduction in domestic seat capacity, as they lowered supply by 9.4 percent during this period while the low cost carriers reduced their domestic seat capacity by 5.3 percent.

Trends in airline seat capacity for the Airport were similar to nationwide trends, as airline seat capacity at the Airport decreased 9.0 percent in the first half of 2009 compared to the same period in 2008. This decrease in capacity resulted in increases to load factors, as load factors at the Airport increased from 72.4 percent in 2008 to 78.7 percent in 2009.<sup>6</sup> Airline seat capacity at the Airport stabilized in 2010, as airline seat capacity decreased only 0.6 percent in the first half of 2010 compared to the same period in 2009.

#### **2.5.5 Airport Security**

With enactment of the Aviation and Transportation Security Act (ATSA) in November 2001, the Transportation Security Administration (TSA) was created and established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. The federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

On Dec. 25, 2009, an individual onboard Northwest Airlines Flight 253 attempted to detonate an explosive device and was subdued by passengers and crew. As a result of this incident, the TSA

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<sup>4</sup> Source: <http://www.usatoday.com/travel/flights/airline-capacity-map.htm>. The data reflect what airlines had reported to Official Airline Guide (OAG) regarding their July 2010 schedules as of June 20, 2010.

<sup>5</sup> The following carriers and their affiliates were used in this analysis: AirTran, Alaska, Aloha, American, ATA, Continental, Delta, ExpressJet, Frontier, Hawaiian, JetBlue, Midwest, Northwest, Southwest, Spirit, United, US Airways, and Virgin America. These 18 carriers represented 98.4 percent of total domestic seats in the first half of CY 2009.

<sup>6</sup> U.S. DOT Bureau of Transportation Statistics.

issued new security directives to all U.S. and international air carriers with inbound flights to the U.S., which went into effect on January 4, 2010. TSA is mandating that every individual flying into the U.S. from anywhere in the world traveling from or through nations that are state sponsors of terrorism or other countries of interest will be required to go through enhanced screening. The directive also increases the use of enhanced screening technologies and mandates threat-based and random screening for passengers on U.S. bound international flights.

### **2.5.6 Threat of Terrorism**

As has been the case since September 11<sup>th</sup>, the recurrence of terrorism incidents against either domestic or world aviation during the projection period remains a risk to achieving the activity projections contained herein. Any terrorist incident aimed at aviation would have an immediate and significant adverse impact on the demand for aviation services.

## **2.6 Projections of Aviation Demand**

Projections of aviation demand were analyzed on the basis of local socioeconomic and demographic factors, the Airport's historical shares of U.S. enplanements, and anticipated trends in air carrier usage of the Airport. The resultant projections were based on a number of underlying assumptions, including:

- Most components of activity at the Airport have begun to recover from the economic slowdown. As a result, long-term activity at the Airport will increase as a result of population growth, tourism demand, and continued strong economic conditions in the Air Trade Area.
- The Airport will continue to provide nonstop service to the majority of its primary O&D markets. The composition of its air carrier base will also continue to foster competitive pricing and scheduling diversity. In addition, O&D passengers will continue to account for a high percentage of enplaned passengers at the Airport.
- The importance of the Air Trade Area's tourism industry is expected to continue through the projection period. Tourist traffic will continue to be a key component of Airport activity.
- Low-fare, seasonal, and charter service will continue to be an important component of air service at the Airport, providing continued increases in passenger air travel demand during the projection period.
- High fuel prices are likely to have an adverse impact on airline profitability, as well as hamper the recovery plans and cost-cutting efforts of certain airlines. Higher fuel prices may cause changes in air service at the Airport; however, the passenger demand for its major O&D markets will continue to be served during the projection period.
- On August 27, 2010, United and Continental received approval from the U.S. Department of Justice for their proposed merger after agreeing to lease landing and take-off rights at Newark Liberty International Airport to Southwest. Shareholders from United and Continental (the second and seventh largest carriers at the Airport in terms of enplanements) approved the proposed merger on September 17, 2010; and the merger became legally effective on October 1, 2010. United and Continental represent passenger market shares of 1.3 percent and 3.7 percent, respectively, at the Airport and have complementary route structures with no overlap. The merger is not expected to have a material adverse impact on enplanements and operations at the Airport. Other airline consolidation/mergers that may occur during the projection period are not likely to negatively impact passenger activity levels at the Airport due to its high percentage of O&D passengers. New airline alliances, should they develop,

will be restricted to code sharing and joint frequent flyer programs, and will not reduce airline competition at the Airport.

- Individual airline bankruptcies or liquidations may occur during the projection period; however, they will not adversely impact passenger activity levels projected herein. It is assumed that other carriers will fill the demand left by the specific bankrupt or liquidated carrier.
- For these analyses, and similar to the FAA's nationwide projections, it is assumed that there will not be terrorist incidents against either domestic or world aviation during the projection period.
- Economic disturbances will occur during the projection period causing year-to-year traffic variations; however, a long-term increase in nationwide traffic is expected to occur.

Many of the factors influencing aviation demand cannot necessarily or readily be quantified; and any projection is subject to uncertainties. As a result, the projection process should not be viewed as precise. Actual future numbers of enplaned passengers, aircraft operations, or landed weight at the Airport may differ from the projections presented herein because events and circumstances do not occur as expected, and those differences may be material.

### **2.6.1 Enplanement Projections**

The following methodologies were used to project enplanements at the Airport:

- **Market Share Approach.** In this methodology, judgments were made as to how and to what extent the Airport's rate of growth would differ from that projected for the nation by the FAA. On a macro scale, the U.S. projection provides a growth base reflecting how industry traffic in general is anticipated to grow in the future. The growth rate used for the Airport can be reflected as an increase or decrease in its future share of the market.
- **Socioeconomic Regression Approach.** Statistical linear regression modeling was used in this methodology, with local socioeconomic factors as the independent variable and enplaned passengers as the dependent variable. Socioeconomic factors utilized in these analyses included population, income, per capita income, and employment. Of interest in the analyses, among other factors, was how well each socioeconomic variable explained the annual variations in enplaned passengers at the Airport (i.e., the model's coefficient of determination).

**Departing Seats/Load Factor Approach.** In addition to the other two approaches, a departing seats/load factor approach was utilized. In this approach, airline schedule information provided from Official Airline Guide, Inc. was analyzed, as well as service announcements, along with certain assumptions in future aircraft load factors were made to project future activity for the Airport through the projection period.

**Table II-9** presents historical and projected enplanements for the Airport's mainline and regional/commuters. As shown, total passenger airline enplanements are projected to increase from 765,156 in FY 2010 to 811,400 in FY 2011, an increase of 6.0 percent. Underscoring the conservative nature of the passenger enplanement projection, the nearly 30 percent increase in the Airport's actual enplanements in July and August 2010 over the previous year already exceeds the projected increase in passenger airline enplanements for the entire FY 2011 period (approximately 46,200 total passenger enplanements).

**Table II-9**  
Historical & Projected Enplanements

Fiscal Year	Mainline Carriers	Regional/ Commuter Carriers	Total	Annual Growth Rate
<u>Historical</u>				
2000	508,474	203,808	712,282	-
2001	585,293	190,396	775,689	8.9%
2002	468,446	176,335	644,781	(16.9%)
2003	438,232	185,040	623,272	(3.3%)
2004	561,972	190,059	752,031	20.7%
2005	551,022	227,692	778,714	3.5%
2006	479,422	247,354	726,776	(6.7%)
2007	531,092	256,334	787,426	8.3%
2008	591,213	249,099	840,312	6.7%
2009	518,039	224,705	742,744	(11.6%)
2010	511,434	253,722	765,156	3.0%
<u>FYTD (Jul - Aug)</u>				
2010	107,152	66,298	173,450	
2011	162,632	60,998	223,630	28.9%
<u>Projected</u>				
2011	580,600	230,800	811,400	6.0%
2012	593,900	237,100	831,000	2.4%
2013	605,100	245,900	851,000	2.4%
2014	613,900	257,400	871,300	2.4%
2015	622,500	269,700	892,200	2.4%
2016	630,600	282,300	912,900	2.3%
<u>Compounded Annual Growth Rates</u>				
2000 - 2010	0.1%	2.2%	0.7%	
2010 - 2011	13.5%	-9.0%	6.0%	
FYTD 2010 - 2011	51.8%	-8.0%	28.9%	
2010 - 2016	3.6%	1.8%	3.0%	
2011 - 2016	1.7%	4.1%	2.4%	

Sources: Horry County Department of Airports (historical); Ricondo & Associates, Inc. (projected), July 2010.

Prepared by: Ricondo & Associates, Inc., July 2010.

Beyond FY 2011, total airline enplanements are projected to increase from 811,400 in FY 2011 to 912,900 in FY 2016, representing a CAGR of 2.4 percent during this period. Overall, passenger airline enplanements at the Airport are projected to increase by a CAGR of 3.0 percent from FY 2010 to FY 2016.

Based on the different projection methodologies described above, passenger enplanements at the Airport through FY 2016 were projected using the departing seats/load factor approach. In particular, the following factors and assumptions were used to project passenger enplanement at the Airport:

- **FY 2011 Enplanements.** Several airlines have recently expanded service at the Airport, including; Delta's increased frequency and aircraft size to Atlanta, Spirit's addition of nonstop seasonal service to Atlanta, Allegiant's new service to Grand Rapids, and the initiation of American Eagle service in late FY 2010. Based on an analysis of scheduled seats by carrier at the Airport for the first half of FY 2011 and reflective of the service expansions identified above, it is estimated that total available seats at the Airport will exceed 1.1 million seats in FY 2011, which is an increase of 22.1 percent over FY 2010.
  - Allegiant scheduled 26,100 departing seats in the first half of FY 2011 compared to 8,700 seats over the same period in FY 2010, an increase of 200.0 percent.
  - American Eagle scheduled 5,412 departing seats in the first half of FY 2011 compared to zero seats over the same period in FY 2010.
  - Delta Carriers scheduled 122,176 departing seats in the first half of FY 2011 compared to 97,036 seats over the same period in FY 2010, an increase of 25.9 percent.
  - Spirit scheduled 245,812 departing seats in the first half of FY 2011 compared to 179,613 seats over the same period in FY 2010, an increase of 36.9 percent.

Given the recent addition of scheduled seats at the Airport, it is likely that aircraft load factors will decrease from their recent peaks. As such, it was assumed that the annual load factor at the Airport will decrease to approximately 70 percent for FY 2011 (since January 2010, passenger aircraft load factors have averaged approximately 75 percent for the first five months of the year, often approaching 80 percent in recent months). Based on this assumption and the estimated annual seats of over 1.1 million, annual enplanements for FY 2011 are projected to increase by approximately 6.0 percent over FY 2010 levels, or to 811,400 enplanements.

- **FY 2012 – FY 2016 Enplanements.** Based on discussions with Official Airline Guide, Inc. scheduled airline seat data can be considered reliable from three to six months in the future. The quality of scheduled data represented for future months farther out than six months tends to be understated, as airlines are still in the planning/design process for intermediate and future schedules. During this timeframe, airlines are still determining where to fly, frequencies, flight times, aircraft assignments, and routes. As a result, assumptions were made regarding the level of scheduled aircraft seats and aircraft load factors at the Airport between FY 2012 and FY 2016.

Accordingly, it was assumed that scheduled aircraft seats at the Airport would continue to increase modestly through FY 2016 at a CAGR of approximately 1 percent over the estimated 1.1 million seats for FY 2011. In addition, it is assumed that over time, the Airport's average annual load factors would increase back to the 75 percent levels currently

being experienced. As a result, airline enplanements are projected to increase from 811,400 in FY 2011 to 912,900 in FY 2016, representing a CAGR of 2.4 percent during this period.

For comparative purposes, **Exhibit II-3** compares the preferred projection (Departing Seats/Load Factor Approach) to the range of socioeconomic regression analysis projections based on 25 years of historical Airport enplanement levels. Despite the region's reliance on tourism and its impact on passenger demand at the Airport, the socioeconomic regression analysis projections all resulted in a very high correlation between the Airport's historical enplanements and the various socioeconomic factors examined – between 88.1 percent and 93.9 percent correlation coefficients. As shown in Exhibit II-3, the regression analyses resulted in a projected enplanement range of between 835,600 and 1.1 million by FY 2016. The preferred projection generally reflects a more conservative estimate of future growth when compared to the regression analyses projections.

It is expected that the current mix of legacy and low-cost carriers will continue operating at the Airport. As shown, mainline and regional/commuter enplanements are expected to increase at a CAGR of 1.7 and 4.1 percent, respectively, between FY 2011 and FY 2016. It is anticipated that mainline carriers will continue to enplane the majority of passengers at the Airport. Between FY 2011 and FY 2016, however, the enplanement share of regional/commuter carriers at the Airport is projected to increase slightly from approximately 28 percent in FY 2011 to approximately 31 percent in FY 2016, similar to trends expected nationwide.

## **2.6.2 Operations Projections**

**Table II-10** presents historical and projected aircraft operations for passenger airline, general aviation, other air taxi, and military activity. As shown, total aircraft activity at the Airport is projected to increase from 91,848 operations in FY 2010 to 98,450 in FY 2016. This increase represents a CAGR of 1.2 percent during this period, compared to 1.3 percent growth projected nationwide by the FAA.

Passenger airline activity at the Airport is projected to increase from 20,362 operations in FY 2010 to 23,780 in FY 2016. This increase represents a CAGR of 2.6 percent during this period, compared to 2.8 percent projected nationwide for air carriers and air taxis combined by the FAA. In general, the passenger airline projections were developed based on historical relationships between enplaned passengers, load factors, and average seating capacities of aircraft utilized at the Airport. Specifically, average seats for the mainline are projected to increase from approximately 133 seats in FY 2010 to approximately 135 seats in FY 2016, while percentage load factors remain in the low 70s. Average seats for the regionals/commuters are projected to increase from approximately 66 seats in FY 2010 to approximately 69 seats in FY 2016, while percentage load factors remain relatively stable in the mid-70s. Similar to nationwide trends, it is expected that some shifting from the 50-seat regional jet to the 70/90-seat regional jet will occur during the projection period.

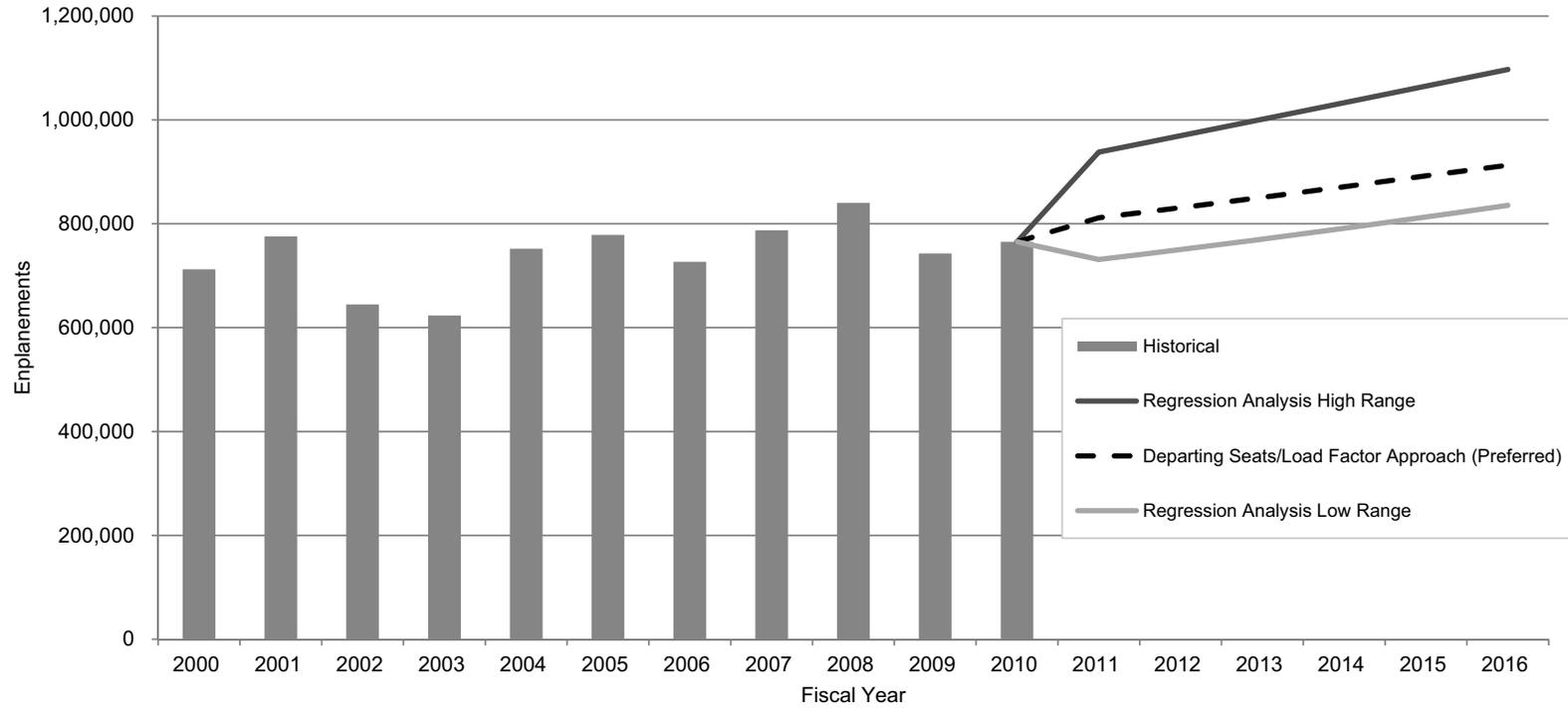
General aviation/other activity at the Airport is projected to increase moderately from 14,147 operations in FY 2010 to 14,870 in FY 2016. This increase represents a CAGR of 0.8 percent during this period, comparable to 0.8 percent projected nationwide by the FAA.

Activity by Other Air Taxi is projected to increase moderately from 52,698 operations in FY 2010 to 55,200 in FY 2016. This increase represents a CAGR of 0.8 percent during this period, comparable to 0.8 percent projected nationwide by the FAA.

Future military activity at the Airport will be influenced by U.S. Department of Defense policy, which largely dictates the level of military activity at an airport. Military activity at the Airport is projected to remain constant at approximately 4,600 operations each year during the projection period, comparable to its activity level in FY2010.

**Exhibit II-3**

Historical & Projected Enplanements



B-55

Sources: Horry County Department of Airports (historical); Ricondo & Associates, Inc. (projected), July 2010.

Prepared by: Ricondo & Associates, Inc., July 2010.

**Table II-10**

Historical & Projected Aircraft Operations

Fiscal Year	Mainline	Regional / Commuters	Airline Total	General Aviation	Other Air Taxi <sup>1/</sup>	Military	Total
<u>Historical</u>							
2005	12,564	11,486	24,050	18,335	11,099	4,342	57,826
2006	10,214	12,024	22,238	19,744	11,495	5,491	58,968
2007	11,314	10,546	21,860	22,304	7,658	6,739	58,561
2008	12,139	9,775	21,914	23,067	9,092	5,291	59,364
2009	11,780	8,296	20,076	15,647	39,638	5,654	81,015
2010	10,183	10,224	20,362	14,147	52,698	4,641	91,848
<u>Projected</u>							
2011	12,020	9,380	21,400	14,260	53,090	4,600	93,350
2012	12,240	9,560	21,800	14,380	53,500	4,600	94,280
2013	12,400	9,840	22,240	14,500	53,910	4,600	95,250
2014	12,520	10,220	22,740	14,620	54,330	4,600	96,290
2015	12,620	10,640	23,260	14,750	54,760	4,600	97,370
2016	12,720	11,060	23,780	14,870	55,200	4,600	98,450
<u>Compounded Annual Growth Rates</u>							
2005 - 2010	-4.1%	-2.3%	-3.3%	-5.1%	36.6%	1.3%	9.7%
2010 - 2011	18.0%	-8.3%	5.1%	0.8%	0.7%	-0.9%	1.6%
2010 - 2016	3.8%	1.3%	2.6%	0.8%	0.8%	-0.1%	1.2%
2011 - 2016	1.1%	3.3%	2.1%	0.8%	0.8%	0.0%	1.1%

Notes:

1/ Includes All-Cargo feeder and charter operations.

Source: FAA Air Traffic Activity Data System (ATADS) (historical), Horry County Department of Airports (historical); Ricondo & Associates, Inc. (projected), August 2010.

Prepared by: Ricondo & Associates, Inc., August 2010.

### **2.6.3 Airline and All Cargo Landed Weight Projections**

**Table II-11** presents historical and projected airline carrier landed weight at the Airport. As shown, passenger airline landed weight is projected to increase from 959,773 thousand pounds in FY 2010 to 1,100,743 thousand pounds in FY 2016. This increase represents a CAGR of 2.3 percent during this period. In general, the increases in landed weight for both carrier groupings are expected as a result of anticipated use of larger aircraft and/or increased operations at the Airport during the projection period.

**Table II-11**

Historical & Projected Landed Weight (000's pounds)

Fiscal Year	Mainline	Regional / Commuters	Charter / Other	Airline Total
<u>Historical</u>				
2005	749,458	264,761	8,865	1,023,084
2006	634,874	292,473	1,564	928,911
2007	704,402	276,025	4,021	984,448
2008	768,381	257,050	6,255	1,031,686
2009	727,926	228,701	1,819	958,446
2010	712,273	245,722	1,779	959,773
<u>Projected</u>				
2011	781,300	225,120	0	1,006,420
2012	797,130	230,635	0	1,027,765
2013	807,550	238,620	0	1,046,170
2014	815,365	249,113	0	1,064,478
2015	821,878	260,680	0	1,082,558
2016	828,390	272,353	0	1,100,743
<u>Compounded Annual Growth Rates</u>				
2005 - 2010	-1.0%	-1.5%	-100.0%	-1.3%
2010 - 2011	9.7%	-8.4%	-	5.1%
2010 - 2016	2.5%	1.7%	-	2.3%
2011 - 2016	1.2%	3.9%	-	1.8%

Sources: Horry County Department of Airports (historical); Ricondo & Associates, Inc. (projected), July 2010.

Prepared by: Ricondo & Associates, Inc., July 2010.

### **III. Airport Facilities and Capital Program**

This chapter presents a review of the existing Airport facilities and describes the capital improvement projects proposed to be funded, in part, with the proceeds from the Series 2010 Bonds (the Program), which are either in progress or are anticipated to be undertaken over the next several years. Additionally, this chapter will describe other elements of the Airport's capital program that are not included in the Program.

#### **3.1 Existing Airport Facilities**

The Airport encompasses 1,946 acres, of which approximately 467 acres is reserved for the Myrtle Beach International Technology and Aerospace Park. It is located on the former Myrtle Beach Air Force Base, in the city of Myrtle Beach, approximately one-half mile from the Atlantic Ocean. The Airport is accessible from U.S. Highway 17 Bypass and U.S. Highway 17 Business.

##### **3.1.1 Airfield**

The airfield consists of a single runway aligned in a north – south direction with two parallel and two high-speed intersecting taxiways, navigational aids and approximately 900 acres of airfield land. The runway, designated 18-36, is 9,500 feet long, 150 feet wide and is able to accommodate large, wide-body aircraft. The runway has high intensity runway lights, two instrument landing systems, approach radar, and is served by a parallel taxiway system. The airfield includes an air traffic control tower and radar approach control manned daily by the FAA personnel between the hours of 6:00am and 11:00 pm daily.

##### **3.1.2 Terminal Area**

The terminal area consists of the passenger terminal building (Terminal), an aircraft parking apron, public automobile parking lots, rental car parking lots, rental car service facilities, public roadways, and an air cargo building.

- **Passenger Terminal Building.** The Terminal is a two-level, approximately 147,000 square foot building. The areas of the lower level and the upper level are approximately 107,000 and 40,000 square feet, respectively. The lower level includes airline ticket counters and offices, a main lobby, a regional jet departure gate, TSA screening areas and support spaces, baggage make-up, a baggage claim lobby and conveyors, rental car counters and offices, a snack bar, public restrooms, a Federal Inspection Station (FIS) for U.S. Customs/Border Protection, and various other support areas. The upper level contains a restaurant, lounge, associated kitchen facilities, gift shop, news/media, food court, departure concourse with six airline gates, passenger boarding bridges, administrative offices of the Department of Airports, and various support areas.
- **Automobile Parking Facilities.** Automobile public parking areas are comprised of 1,231 at-grade automobile parking spaces adjacent to or near the Terminal. In addition, rental car parking lots contain approximately 442 rental car ready-return spaces. There are various employee parking areas appurtenant to the Terminal providing 316 automobile parking spaces for Airport and tenant employees. The curb lanes of the Terminal contain curbside spaces for vehicles to load and unload, and spaces for taxis, buses, and limousines.

- **Rental Car Service Facilities.** Rental car service facilities are located south of the Terminal. These facilities include service and administration buildings, car washes, fueling stations, and fuel storage. Approximately 15 acres are being used for these facilities.
- **Air Cargo Building.** An air cargo building of approximately 3,550 square feet is located to the north of the Terminal. US Airways leases approximately 1,698 square feet of this building, including office space, and most of the remaining portion of the building is utilized by the Department of Airports. This area will not be used as an air cargo facility. The reuse of the building will be addressed in the Terminal reuse study.

### **3.1.3 General Aviation Facilities**

The Department of Airports operates Myrtle Beach Aviation, the only fixed base operator (FBO) on the Airport. The FBO was established in September 1994 by the Department of Airports on the westerly side of the airfield, opposite the Terminal. In the Spring of 2010, FBO facilities were expanded with the opening of a new general aviation terminal (GAT) at the Airport which contains FBO administration areas, a passenger lounge, snack bar, public restrooms, a private pilot lounge with restroom, shower, and quiet room, a multi-purpose/training room, and a conference room and business center. Additional facilities at the FBO include three hangars for public space rental, 10 T-hangars, and tie-down rental spaces for aircraft. The services provided by the FBO include: aircraft fueling, flight planning including WI-FI Internet service, weather data, and on-site automobile rentals. Other general aviation (GA) tenants on the Airport provide flight training, aircraft maintenance and painting, avionics and aircraft interior repair, and aircraft accessory repair and restorations. In addition, customs/immigration services at the FBO site are offered by the U.S. Customs & Border Protection Department, with a two-hour notice requirement. The Airport's capital improvement program also indicated the need for 10 additional T-hangars which will be developed as demand warrants.

### **3.1.4 Aviation Leased Facilities**

A series of five hangars and associated office space and automobile parking areas on the west side of the airfield are leased to various aviation-related tenants. In general, these tenants provide aircraft maintenance, aircraft painting and avionics services for general aviation aircraft, small multi-engine turboprop aircraft, and their own fleets. In addition to the five leased hangars, there are three hangars leased by the FBO to the general aviation public.

### **3.1.5 Fuel Facilities**

The Department of Airports owns and operates two fuel farm facilities; one on the west side of the airfield for general aviation users, and the other north of the Terminal for commercial air carrier aircraft. The general aviation fuel farm was constructed in 1996 and contains two above-ground 20,000-gallon fuel tanks with associated pumping and inventory control devices to dispense Jet-A and AvGas. The fuel farm on the air carrier side of the Airport consists of seven above-ground tanks.

### **3.1.6 Other Airports**

In addition to the Airport, the Department of Airports also owns and operates three general aviation facilities, Loris-Twin Cities Airport, Conway-Horry County Airport, and Grand Strand Airport.

- **Loris-Twin Cities Airport** - Located two miles northeast of Loris, South Carolina on U.S. Highway 701, the Loris-Twin Cities Airport is an unattended, public-use airport. This airport serves as a training facility for practice approaches and landings by private aircraft.
- **Conway-Horry County Airport** - Located five miles west of Conway, South Carolina on U.S. Highway 378, this airport serves general aviation aircraft with parking, refueling, and maintenance. The County currently operates the FBO at Conway-Horry County Airport.
- **Grand Strand Airport** - Located in North Myrtle Beach between U.S. Highway 17 and the Intercoastal Waterway, the Grand Strand Airport serves private and corporate aircraft with parking, refueling, and maintenance by one FBO.

### **3.2 The Terminal Capacity Enhancement Project**

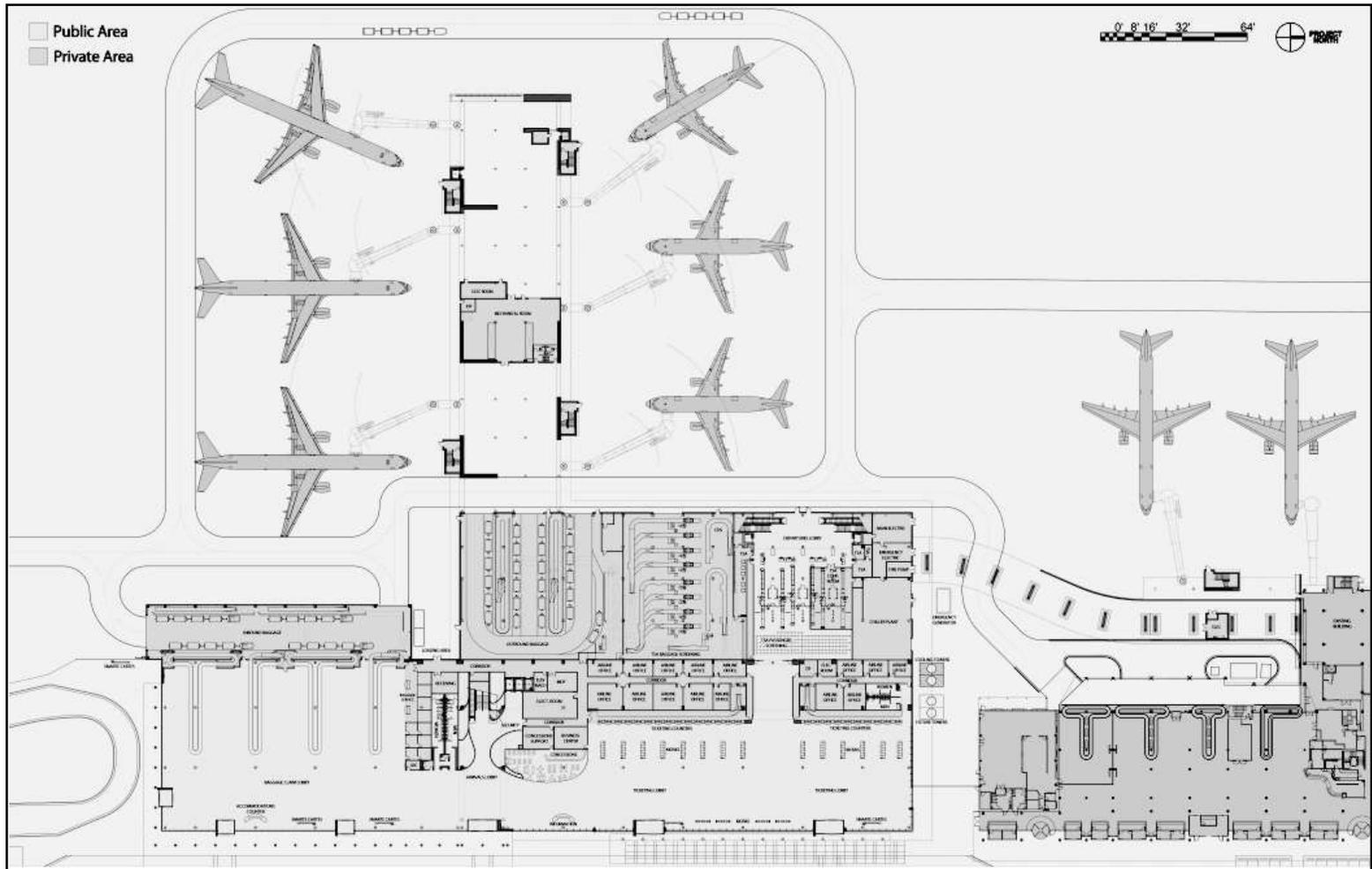
The Terminal Capacity Enhancement Project (TCEP), the largest component of the Program, will enhance capacity at the airport as the existing terminal building and site infrastructure at the Airport are not adequately sized to accommodate the current volume of passenger activity, and are not able to properly serve projected passenger volumes. The existing building provides an inadequate number of airline ticketing counters, no additional area for self-serve ticket kiosks, inadequate passenger queue space at ticketing and TSA screening areas, marginal passenger circulation, limited area for “meeters and greeters,” undersized rental car counter area, limited baggage service offices, TSA baggage screening and airline baggage makeup areas that are at capacity, and unacceptable passenger access to terminal entrances and exits. In addition, the Airport’s parking areas are at capacity during peak activity. These deficiencies result in unsatisfactory service.

The TCEP retains the existing departure gates and aircraft parking positions, while providing additional departure gates along with new ticketing and baggage claim facilities. The resulting expanded airport terminal provides a level-of-service no less than Level "C" in all respects, as defined by the International Air Transport Association (IATA). The expanded terminal complex also includes security enhancements consistent with the requirements of the Transportation Security Administration (TSA). Site and roadway improvements will provide vehicular facilities for the general public, rental car companies, and airport tenants and users that are direct, simple, and easy to use. In addition to the TCEP, Harrelson Boulevard, the existing traffic artery serving the Airport, is being reconfigured to connect US Highway 17 Business to US Highway 17 By-Pass.

In general, the TCEP consists of: construction of a new terminal building, improvements to existing terminal facilities, various supporting airside improvements, and landside improvements. The existing facilities described in Section 3.1 along with the components of the Program are presented in **Exhibit III-1**.

As presented on **Table III-1**, the TCEP is estimated to cost approximately \$118.1 million. The New Terminal construction costs are estimated at approximately \$68.6 million or 54.1 percent of the total Program costs. Collectively, the Other TCEP Projects construction costs are estimated at \$21.9 million, which is 17.2 percent of total Program costs. The Harrelson Boulevard Improvements, which is a separate project from the TCEP, has estimated construction costs of \$6.8 million or 5.4 percent of total Program costs. In addition, other costs associated with the Program, consisting of design and construction administration and contingencies, are estimated to be 23.3 percent of total Program costs, or \$29.6 million.

B-62



Source: Horry County Department of Airports, October 2010.  
Prepared by: Ricondo & Associates, Inc., October 2010.

**Exhibit III-1**

not to scale



## Terminal Capacity Enhancement Project

**Table III-1**

Terminal Capacity Enhancements Program and Harrelson Boulevard Estimated Costs <sup>1/</sup>  
(Dollars in Thousands)

	Construction Costs	Other Costs <sup>2/</sup>	Total
<b>New Terminal</b>			
Building	\$48,472	\$14,783	\$63,255
Loading Bridges	5,800	1,769	7,569
Baggage System	10,800	3,294	14,094
Technology & Furnishings	3,550	1,083	4,633
Subtotal New Terminal	\$68,622	\$20,928	\$89,550
<b>Other TCEP Projects</b>			
Existing Terminal Improvements	\$5,000	\$1,525	\$6,525
Airside Improvements	5,595	1,706	7,301
Landside Improvements	11,283	3,441	14,724
Subtotal Other TCEP Projects	\$21,878	\$6,672	\$28,550
Subtotal Terminal Capacity Enhancement Program	\$90,501	\$27,600	\$118,101
Harrelson Boulevard	\$6,818	\$2,034	\$8,852
<b>Total Program Costs</b>	<b>\$97,318</b>	<b>\$29,634</b>	<b>\$126,953</b>

Notes:

1/ Excludes financing costs and capitalized interest costs.

2/ Other Costs Include Design, Administration and Contingencies.

Source: Horry County Department of Airports, September 2010  
Prepared by: Ricondo & Associates, Inc., September 2010

### **3.2.1 New Terminal**

The New Terminal, a 240,000 square foot expansion, consists of a new passenger terminal, a new concourse with six new gates and passenger boarding bridges (PBBs), and a new passenger connection to the existing seven-gate concourse (which provides six PBBs and one ground loading gate). The new passenger terminal is comprised of separate departures and arrivals areas on the ground level and passenger service areas and circulation on the second level. The new concourse includes mechanical support areas and space for airline build-out on the ground level, and six departure lounges, passenger services, and circulation on the second level. The passenger connection provides direct access between the second level of the new passenger terminal and the existing departure lounges.

The new passenger terminal will provide sufficient ticket counters and airline ticket office space to accommodate the existing airlines serving the Airport as well as potential new entrant carriers. Space is also provided for self-service ticket kiosks. Four passenger security screening lanes are provided, with infrastructure and area available for an additional two lanes. The new ticket counters and security screening lanes will greatly enhance queuing areas. Two take-away baggage conveyors will transport checked baggage from the ticket counters to a centralized, TSA controlled baggage handling system (BHS). Outbound baggage will be handled in a consolidated baggage room located at the intersection between the passenger terminal and the concourse. Inbound baggage will be processed in a separate area serving four flat-plate baggage claim devices. The baggage claim area includes airline baggage service offices, large passenger access areas, and circulation unimpeded by rental car counters. A generously sized arrivals hall will be located between the ticketing lobby and the baggage claim area. The arrivals hall will have adequate waiting areas for “meeters and greeters” along with a food and beverage concession area, public toilets, and an information counter. Stairs, escalators, and elevators will be located at the arrivals hall and the passenger security screening area to provide vertical transportation for inbound and outbound passengers to and from the second level of the passenger terminal and the departures concourse.

The second level of the new concourse includes six gates sized to accommodate Group 4 aircraft. Apron-drive passenger boarding bridges with preconditioned air, ground power, and potable water units will accommodate each of the six departure gates; while elevator and stair access will be provided at the other gate for ground-loading aircraft. Public toilets are centrally located within the concourse, along with food and beverage and merchandise concession areas. A table-service restaurant/bar will be located at the intersection of the concourse and passenger terminal, along with public toilets and an information counter.

A new 20-foot wide corridor will be constructed to connect the second level of the New Terminal to the existing terminal and existing departure gates. In addition, a new second level gate equipped with a PBB as well as apron-access stairs and an elevator will be built at the intersection of the new corridor and the existing terminal building.

The New Terminal is fully fire-sprinklered and has been designed to accommodate public occupancy (Classification A-3) and Building Code Classification 1-A. The structure is designed for a 130-mph wind speed and seismic category C. The exterior enclosure is composed of insulated, pre-finished metal panels and an insulating glass curtainwall. A central chiller plant provides cooling with roof-mounted air handlers. A robust communications backbone will support both proprietary and

common-use data systems, including flight information display systems (FIDS) and baggage information display systems (BIDS).

### **3.2.2 Existing Terminal Improvements**

Second story passenger services, including public toilets and concession areas, will support the passenger traffic at the existing gates. Federal Inspection Services will continue to operate in the area adjacent to the ground level baggage claim area for inbound international passengers, but the remainder of the existing terminal building will not be accessible to the public. The current ground level ticketing lobby, passenger security screening area, and ground level concessions areas are scheduled to be converted to offices and airport services support facilities. The current airport administrative and operations offices and airline support areas will remain. As required by the City of Myrtle Beach Community Appearance Board, the exterior of the existing building will be renovated to compliment the appearance of the new Terminal.

### **3.2.3 Airside Improvements**

To accommodate the construction of the New Terminal, existing Taxiway A is being reconfigured to accommodate aircraft parking positions for the new concourse.

### **3.2.4 Landside Improvements**

Landside improvements included in the TCEP are comprised of the construction of a new terminal access road, development of a new rental car facility, a new “toll plaza”, and the construction of new parking lots, each of which is described below. Also included in landside improvements associated with the TCEP are utility extensions and landscaping and irrigation improvements to address the City of Myrtle Beach’s current land development standards.

To accommodate the new Harrelson Boulevard alignment and to provide access to the New Terminal, a new terminal access road is required. The New Terminal Access Road includes a new intersection at Harrelson Boulevard with traffic control signals, a security inspections lot for code red conditions, access to new public parking and rental car lots, passenger drop-off/pick-up lanes at the New Terminal, commercial vehicle drop-off lane at the New Terminal, and a new commercial/taxi vehicle staging and passenger pick-up area. The resulting roadway system will decrease congestion and stopped vehicles at the terminal building entrances and improve Airport traffic and security. Additional terminal access road improvements include associated storm drainage, lighting, landscaping, and sidewalks.

A new 11,000 square-foot Rental Car Facility adjacent to the vehicular drop-off/pickup lanes at the New Terminal will consolidate all of the rental car companies into a single passenger service area. The New Rental Car Facility includes rental car counters, queuing areas, offices, and public toilet rooms along with a new rental car ready/return lot. The facility will be connected to the New Terminal by a canopied walkway. The New Rental Car Facility will be located near the Baggage Claim area in the New Terminal, and the canopied walkway provides a direct connection between the new arrivals hall in the New Terminal and the New Rental Car Facility.

New parking lots will be located for convenient access to the New Terminal. Three types of parking services will be provided: short-term parking (hourly), long-term parking (daily or weekly), and credit-card payment only parking. All three lots are accessed from the New Terminal Access Road, and sidewalks provide pedestrian access to the New Terminal. A new “toll plaza” will offer automated and teller payment options for the short-term and long-term lots; separate automated kiosks will be provided at the credit-card lot.

### **3.3 Harrelson Boulevard Improvements**

As part of the Harrelson Boulevard Improvements, a new roadway will be constructed through the Airport extending Harrelson Boulevard to 17 Business. This roadway will, for the first time, allow Airport customers direct access from the Airport to 17 Business and the beach areas. This planned roadway, approximately 1.6 miles in length, will be a 2-lane divided, limited access roadway, constructed and paid for by Horry County.

### **3.4 Ancillary Capital Projects**

In anticipation of the Program, the Department developed and completed several ancillary capital projects at the Airport from FY 2008 through FY 2010, which are presented on **Table III-2**. As shown, the Department has spent approximately \$25 million on recent major capital projects.

Other than a rental car parking deck, which the Department has evaluated conceptual plans for and may proceed with in the future depending on availability of Customer Facility Charge (CFC) revenue, the Department does not plan to pursue any major capital projects other than those included in the Program for the period through FY 2016. Although no major capital projects are planned for the period described above, the Department will continue to purchase machinery and equipment and perform capital maintenance at the Airport as needed, which is included in the financial analysis presented in the following chapter. From FY 2014 through FY 2017, after the planned completion of the Program, the Department intends to invest in runway design and rehabilitation, which is estimated to cost approximately \$15.8 million and is planned to be funded with AIP entitlements and AIP discretionary funding pending a Letter of Intent from the FAA.

**Table III-2**

Recent Major Capital Projects  
(Dollars in Thousands)

Project	Status	Project Cost
New General Aviation Terminal	Completed (May 2010)	\$4,500
New ARFF Facility	Ongoing (95% FAA Funded)	4,200
South Ramp Expansion Project	Completed (July 2010)	3,500
Airfield Drainage & ARFF Access Roads	To Be Completed (October 2010)	2,900
Taxiway B2 Project	Completed (August 2010)	2,800
Commercial Ramp Rehabilitation Project	Final Phase to be Completed in December 2010	2,600
Security Fencing Improvements	Completed (April 2010)	1,100
Security Improvement Project	Completed (March 2010)	1,000
Acquisition of 1,500 Gallon ARFF Vehicle	Completed (January 2010)	900
General Aviation Ramp Improvement	First Phase Completed (August 2010)	800
Airfield Re-Designation & Signage	Completed (June 2010)	700
Total Projects		\$25,000

Source: Horry County Department of Airports, September 2010

Prepared by: Ricondo & Associates, Inc., September 2010

## **IV. Financial Analysis**

This chapter examines the financial structure of the Airport; cost and financial implications of the Program; operation and maintenance (O&M) expenses and non-airline revenue projections; airline rates and charges projections; airline cost per enplaned passenger projections; application of revenue and projected debt service coverage, and the flow of funds.

### **4.1 Financial Structure**

This section discusses Airport accounting practices, including the cost center structure utilized for airline rate-setting purposes, the rate-setting mechanism in place at the Airport, and the requirements and provisions of the Bond Ordinance.

#### **4.1.1 Airport Accounting and Rate-Setting Mechanism**

The Department of Airports is accounted for as an enterprise fund of the County and subject of a separate audit from the remainder of County funds. The Department of Airports designates expense cost centers at the Airport as defined in the Signatory Airline Contract and Airline Use Agreement (Signatory Airline Agreement). Although the Signatory Airline Agreement expired on June 30, 2007, it has continued to remain in full force on a month-to-month hold over basis. For the purpose of this analysis, it is assumed that the rate-making structure in place for FY 2009 through FY 2016 will be the same as the structure currently in place. The Signatory Airlines include United Airlines, US Airways, Continental Airlines and Delta Air Lines (including their respective system carriers).

The terminal and airfield cost centers include appropriate accounts to identify the O&M expense and capital components necessary to calculate airline rates and fees. The remaining expenses are allocated to the “other” cost center. A description of the airline cost centers, as defined in the Signatory Airline Agreement, is presented below.

- **Terminal** - Includes O&M expenses and capital components for the terminal, which includes the terminal building, terminal roadway, public parking areas, and other areas and facilities designated by the Department of Airports for serving and/or supporting the terminal building.
- **Airfield** - Includes O&M expenses and capital components for the airfield, which includes portions of the Airport which provide for the landing, takeoff, taxiing, movement or staging of aircraft including navigational aids, hazard designations, and warning devices, airfield security roads, fencing, lighting, clear zone areas, aviation easements, or interests in property utilized in connection therewith.

As defined in the Airline Agreement, terminal rental rates and landing fees are calculated based on the following:

- Terminal rental rates are established based on a compensatory methodology, whereby total costs allocable to the terminal cost center net of security response reimbursements are divided by total rentable square feet. Differential terminal rental rates are then calculated for the purpose of differentiating space by location and function.
- Landing fee rates are established based on a cost center residual methodology, whereby total costs allocable to the airfield cost center, net of security response reimbursements and a general aviation fuel sales credit, are divided by total landed weight.

#### **4.1.2 Bond Ordinance**

The Series 2010 Bonds are to be issued pursuant to Bond Ordinance No.77-10 and No. 78-10 enacted October 19, 2010, referred to collectively in this report as the Bond Ordinance. The Program will be funded, in part, with the proceeds of the Series 2010 Bonds. Additionally, the Department of Airports plans to redeem, with Airport funds, all outstanding Series 1997A Bonds, outstanding Series 1997C Bonds, and outstanding Series 2000 Bonds. Following the proposed redemption of these series, the Series 2010 Bonds will be the only outstanding debt of the County payable from Airport Revenues.

The Bond Ordinance sets forth the obligations of the County to the Trustee and bondholders relative to the Series 2010 Bonds and any subsequent bonds issued on parity with the Series 2010 Bonds, including the pledge of security for the bonds, the rate covenant, requirements for issuing additional bonds, and the creation of certain funds and accounts and the order of priority for the used on pledged revenues. A summary of certain provisions of the Bond Ordinance is provided in Appendix C to the Official Statement for the Series 2010 Bonds. The capitalized terms used in this Section 4.1.2 are used as defined in the Bond Ordinance.

The County intends to issue the Series 2010 Bonds to: 1) fund a portion of the Program; 2) fund capitalized interest; 3) fund the required Debt Service Reserve Fund with respect to the Series 2010 Bonds; and 4) pay costs of issuance of the Series 2010 Bonds. The Series 2010 Bonds are to be paid from and secured by Net Revenues (defined in the Bond Ordinance as Revenues less Operation and Maintenance Expenses, net of Operation and Maintenance Expenses paid from Non-System Amounts).

As defined in the Bond Ordinance, Non-System Amounts means all amounts received by the County pursuant to an Intergovernmental Agreement between the County and the City of Myrtle Beach, South Carolina. On May 5, 2007, the County and the City of Myrtle Beach entered into an Intergovernmental Agreement regarding the uses of revenues received by the City from the rent of a 143 acre parcel of land located between Route 17 Business and the Atlantic Ocean known as the Seascape Property. The agreement provides, among other things, that beginning in 2005, all Seascape Property lease proceeds shall be automatically and unconditionally divided whereby the County shall receive seventy five (75%) percent of the proceeds and the City shall receive twenty five (25%) percent. Per the Bond Ordinance, Non-System Amounts are irrevocably pledged by the County for the payment of Airport O&M Expenses.

Key aspects of the Bond Ordinance related to the repayment of the Series 2010 Bonds are summarized as follows.

Section 204 of the Bond Ordinance provides that:

*“... as a condition to the issuance of any Series of Additional Bonds, there shall first be delivered to the Trustee either:*

- (a) A certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), of an Authorized Representative of the County showing the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of*

*Maximum Aggregate Annual Debt Service with respect to all Outstanding Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds were then Outstanding; or*

- (b) *A certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), of a Consultant showing that:*
- (i) *the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of the sum of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds (not including the proposed Series of Bonds) for such Fiscal Year or other applicable period; and*
  - (ii) *for each fiscal year in the period of the first five full Fiscal Years following the issuance of such Series of Bonds, or the first three full Fiscal Years during which no interest on such Series of Bonds is expected to be paid from the proceeds of such Series of Bonds, whichever ends later, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Bonds and the proposed Series of Bonds (calculated as if the proposed Series of Bonds were then Outstanding).*

*For purposes of paragraph (b)(ii) above, in estimating Net Revenues, the Consultant may take into account (1) Revenues from Projects or Airport facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the County and will be in effect during the period for which the estimates are provided, (3) Available PFC Revenues determined pursuant to subsection (c) of this Section 204, and (4) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses, the Consultant shall use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Operation and Maintenance Expenses and Non-System Amounts or amounts which would be or would have been eligible for appropriation as Non-System Amounts, (ii) Operation and Maintenance Expenses associated with the Projects and any other new Airport facilities, and (iii) such other factors, including inflation and changing operations or policies of the County, as the Consultant believes to be appropriate. The Consultant shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.”*

The County covenants in Section 709 of the Bond Ordinance (the Rate Covenant) that it will:

*“... fulfill the following requirements:*

- (a) *The County shall while any of the Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the County as of the date of execution of this Ordinance*

*setting forth restrictions relating thereto), establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:*

- (i) the Annual Debt Service on any Outstanding Bonds required to be funded by the County in such Fiscal Year;*
  - (ii) the required deposits to any Debt Service Reserve Account which shall have been established;*
  - (iii) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Bonds, including Subordinated Indebtedness; and*
  - (iv) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, including Subordinated Indebtedness.*
- (b) The County will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues will be equal to at least 125% of Annual Debt Service on the Outstanding Bonds in such Fiscal Year.*
- (c) If Net Revenues in any Fiscal Year are less than the amount specified in paragraph (a) or (b) of this Section, the County will retain and direct a Consultant to make recommendations as to the revision of the operations of the Airport and its schedule of rentals, rates, tolls, fees and charges for the use of the Airport and for services rendered by the County in connection with the Airport, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the County shall take all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as may be necessary to produce Net Revenues in the amount specified in paragraph (a) or (b) of this Section in the next succeeding Fiscal Year.*

*In the event that Net Revenues for any Fiscal Year are less than the amount specified in paragraph (a) or (b) of this Section, but the County promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as required by this paragraph (c), such deficiency in Net Revenues shall not constitute an Event of Default under the provisions of Section 801(b) hereof. Nevertheless, if after taking the measures required by this paragraph (c) to revise the schedule of rentals, rates, tolls, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the County for such Fiscal Year) are less than the amount specified in paragraph (a) of this Section, such deficiency in Net Revenues shall constitute an Event of Default under the provisions of Section 801(b) hereof.*

- (d) For purpose of determining compliance with the requirement of this Section 709, the County may include Available PFC Revenues in an amount not to exceed 125% of the amounts required to be deposited into Debt Service Accounts for such year on the Outstanding PFC Bonds, or such lesser amount as may be required under the PFC Act, PFC Regulations and PFC Approvals as in effect for time to time.”*

As described in the Bond Ordinance: “...for purposes of Section 709, “Revenues” shall include Other Available Funds; provided, however that the amount of any Other Available Funds taken into account for purposes of Section 709 shall not exceed 25% of the Annual Debt Service on the Outstanding Bonds in any Fiscal Year.”

## **4.2 Financing Plan**

The Program will be funded through the net proceeds of the Series 2010 Bonds, FAA Airport Improvement Program (AIP) grants, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs) and other available funds. **Table IV-1** presents the estimated funding sources for the Program and **Table IV-2** presents a listing of the estimated sources and uses of bond funds for this issuance of the Series 2010 Bonds. The total cost associated with the Program is approximately \$127.0 million, with approximately \$49.8 million funded from the proceeds of the Series 2010 Bonds. Further description of the funding sources for the Program, as contained on Table IV-1, is presented below:

### **4.2.1 Series 2010 Bonds**

As previously indicated, approximately \$49.8 million of Series 2010 Bond proceeds will be used to fund project costs for the Program. The Series 2010 Bonds are designated as: the Series 2010A Bonds, of which a portion of the proceeds will fund approximately \$41.3 million of the project costs for the Terminal Capacity Enhancement Program, and the Series 2010B Bonds, of which a portion of the proceeds will fund approximately \$8.5 million of project costs for the Harrelson Boulevard Improvements. The Series 2010A Bonds will be partially supported by PFCs. The Series 2010B Bonds are Recovery Zone Economic Development Bonds (RZEDB).

**Table IV-3** presents the annual estimated debt service requirements resulting from the issuance of the Series 2010 Bonds as well as the existing Airport debt service on all outstanding series. As shown, annual debt service in FY 2009 equaled \$1.1 million and is projected to remain at that level in FY 2010. In FY 2011, following the issuance of the Series 2010 Bonds, annual debt service is projected to decrease to approximately \$218,000 as a result of the planned redemption of the Series 1997A Bonds, Series 1997C Bonds, and Series 2000 Bonds.. In FY 2012, annual debt service is estimated to be approximately \$198,000. Annual debt service is projected to increase to \$1.7 million in FY 2013 and then increase to \$4.2 million in FY 2014 as the capitalized interest period for the Series 2010A Bonds ends. Thereafter, annual debt service is projected to remain around the FY 2014 level.

### **4.2.2 FAA Airport Improvement Program Grants**

The Department of Airports expects to utilize both Airport Improvement Program (AIP) entitlement and discretionary grants for eligible capital projects. Approximately \$23.6 million of AIP grants are planned to be used to fund the Program, of which approximately \$8.6 million has already been received by the Department of Airports.

### **4.2.3 Passenger Facility Charges**

#### **4.2.3.1 Status of Passenger Facility Charge Program**

In 1990, Congress passed the Aviation Safety and Capacity Expansion Act which authorizes a public agency which controls an airport to impose a PFC for each enplaned passenger at such airport, subject to certain limitations and exceptions. Section 1113(e) of the Federal Aviation Act, as

**Table IV-1**

Terminal Capacity Enhancement Program and Harrelson Boulevard Funding Sources  
(Dollars in Thousands)

Funding Sources	New Terminal	Existing Terminal Improvements	Airside Improvements	Landside Improvements	Terminal Capacity Enhancement Program Subtotal	Harrelson Boulevard	Program Total
Series 2010A	\$38,912	\$0	\$0	\$2,402	\$41,314	\$0	\$41,314
Series 2010B RZEDB	0	0	0	0	0	8,452	8,452
Airport Cash	10,000	5,525	0	988	16,513	0	16,513
PFC PAYGO	15,343	1,000	1,657	0	18,000	0	18,000
AIP Grants	14,000	0	5,644	3,990	23,634	0	23,634
TSA Grant	7,495	0	0	0	7,495	0	7,495
CFC PAYGO	0	0	0	7,344	7,344	0	7,344
CTC/MBAFRDA Grants	3,800	0	0	0	3,800	400	4,200
<b>Total</b>	<b>\$89,550</b>	<b>\$6,525</b>	<b>\$7,301</b>	<b>\$14,724</b>	<b>\$118,101</b>	<b>\$8,852</b>	<b>\$126,953</b>

Note: Figures may not add due to rounding.

Source: Frasca & Associates, L.L.C., September 2010  
Prepared by: Ricondo & Associates, Inc., September 2010

**Table IV-2**

Series 2010 Estimated Sources and Uses of Funds  
(Dollars in Thousands)

	Series 2010A Tax Exempt	Series 2010B RZEDB	Total
<b>Sources</b>			
Par Amount of Bonds	\$50,375	\$10,255	\$60,630
Premium Discount	1,013	0	1,013
<b>Total Sources</b>	<b>\$51,388</b>	<b>\$10,255</b>	<b>\$61,643</b>
<b>Uses</b>			
Construction Fund	\$41,314	\$8,452	\$49,766
Debt Service Reserve Fund	3,729	759	4,488
Capitalized Interest	5,589	888	6,476
Cost of Issuance	756	154	909
Sizing Contingency	1	2	3
<b>Total Uses</b>	<b>\$51,388</b>	<b>\$10,255</b>	<b>\$61,643</b>

Note: Figures may not add due to rounding.

Source: Frasca & Associates, L.L.C., September 2010

Prepared by: Ricondo & Associates, Inc., September 2010

**Table IV-3**

Annual GARB Debt Service  
Fiscal Year Ending June 30  
(Figures in Thousands)

		Actual		Projected					
		2009	2010	2011	2012	2013	2014	2015	2016
<b>Series 1997</b>									
Series 1997A		\$126	\$129	\$32	\$0	\$0	\$0	\$0	\$0
Series 1997B		0	0	0	0	0	0	0	0
Series 1997C		193	195	48	0	0	0	0	0
Total Series 1997	[A]	\$320	\$324	\$80	\$0	\$0	\$0	\$0	\$0
Series 2000	[B]	\$802	\$802	\$138	\$0	\$0	\$0	\$0	\$0
Total Outstanding Debt Service	[C]=[A]+[B]	\$1,122	\$1,126	\$218	\$0	\$0	\$0	\$0	\$0
<b>Series 2010</b>									
Series 2010A Non-PFC Supported		\$0	\$0	\$0	\$0	\$232	\$834	\$838	\$836
Series 2010A PFC Supported		0	0	0	0	1,088	2,930	2,928	2,930
Series 2010B RZEDB		0	0	0	198	396	396	396	396
Total Series 2010	[D]	\$0	\$0	\$0	\$198	\$1,715	\$4,160	\$4,162	\$4,162
Total Annual Debt Service	[E]=[C]+[D]	\$1,122	\$1,126	\$218	\$198	\$1,715	\$4,160	\$4,162	\$4,162

Note: Figures may not add due to rounding.

Source: Frasca & Associates, L.L.C., September 2010  
Prepared by: Ricondo & Associates, Inc., September 2010

B-75

amended (the “PFC Act”), empowers the FAA to authorize a public agency which controls an airport to impose a PFC of up to \$4.50 for each enplaned passenger. Proceeds of an authorized PFC may be used only to fund specific airport projects approved by the FAA, or to pay debt service and other financing costs on bonds issued to fund such specific projects, that (i) preserve or enhance capacity, safety or security of the national air transportation system, (ii) reduce noise impacts resulting from an airport or (iii) furnish opportunities for enhanced competition among air carriers.

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (“AIR-21”), signed into law on April 5, 2000, enabled a public agency to apply to the FAA to increase the PFC level that it may charge to \$4.00 or \$4.50. For a public agency to qualify for a PFC level above \$3, AIR-21 requires that the FAA must review the public agency’s application or amendment request to make specified findings that are additional to those already required under the PFC statute and regulation. Under AIR-21, the FAA must find the following for any project to be collected at the \$4.00 or \$4.50 level: (i) the project cannot be paid for from funds reasonably expected to be available from the FAA Airport Improvement Program (AIP); (ii) if the project is an eligible surface transportation or terminal project, the public agency has made adequate provision for financing the airside needs of the airport, including runways, taxiways, aprons, and aircraft gates; and (iii) in the case of a medium or large hub airport seeking the higher PFC, the project will make a significant contribution to improving air safety and security, increasing competition among air carriers, reducing current or anticipated congestion, or reducing the impact of aviation noise on people living near the airport.

The AIP reauthorization, a portion of the spending bill that funds the FAA, is currently being reviewed in Congress. The proposed AIP reauthorizations include regulations for the PFC program. The version of the bill in the House of Representatives (H.R. 915) was passed on May 21, 2009 and includes an increase of the PFC collection limitation from \$4.50 to \$7.00. The Senate version of the bill (S. 1451) that was reported out of the Senate Committee on Commerce, Science and Transportation on September 29, 2009 does not increase the PFC collection limitation from the existing \$4.50 level. The Senate approved S. 1451 on March 22, 2010. Now the House and Senate bills need to be reconciled and the consolidated version of the bill must be passed by the Senate and the House to become effective. Therefore, at this time, an increase in the PFC collection rate limit is uncertain and not assumed for this analysis.

#### 4.2.3.2 Airport PFC Program

Under three previously approved PFC applications, the Airport had imposed and collected PFCs until collection authority expired on July 31, 2007. As of June 30, 2010, the Airport held \$14.1 million of unused PFCs collected under these prior applications.

The Airport received a Final Agency Decision from the Federal Aviation Administration of its PFC Application 10-04-C-00-MYR on April 28, 2010, which approves collection and use of PFC’s (including the \$14.1 million collected under prior applications) for portions of the Program at the \$4.50 level beginning no earlier than June 1, 2010 and expiring on January 1, 2032 in an amount (net PFC revenue collected plus interest) not to exceed \$104,020,700.

With regard to the Program, and as presented in **Table IV-4** approximately \$18.0 million of the project costs will be funded with PFCs on a pay-as-you-go (PAYGO) basis. Additionally, \$85.2 million of PFCs are anticipated to be applied to a portion of the eligible debt service on the Series 2010 Bonds.

**Table IV-4**

Passenger Facility Charge (PFC) Projections  
Fiscal Year Ending June 30  
(Figures in Thousands except Net Amount Charged)

		Actual		Budget		Projected			
		2009	2010	2011	2012	2013	2014	2015	2016
Net Amount Charged per Enplanement	[A]	\$0.00	\$0.00	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39
Enplanements	[B]	742.7	765.2	811.4	831.0	851.0	871.3	892.2	912.9
Enplanements Eligible %	[C]	0%	0%	92%	92%	92%	92%	92%	92%
PFC Collections	[D]=[A]*[B]*[C]	\$0	\$0	\$3,277	\$3,356	\$3,437	\$3,519	\$3,603	\$3,687
PFC Beginning Balance	[A]	\$13,671	\$13,905	\$14,053	\$10,956	\$5,896	\$5,302	\$5,947	\$6,685
Deposit: PFC Collections	[B]	0	0	3,277	3,356	3,437	3,519	3,603	3,687
Deposit: Interest Earnings	[C]	236	148	125	84	56	56	63	71
Transfer: Series 2010A PFC Debt Service	[D]	0	0	0	0	1,088	2,930	2,928	2,930
Expend: PFC PAYGO	[E]	1	0	6,500	8,500	3,000	0	0	0
PFC Ending Balance	[F]=[A]+[B]+[C]-[D]-[E]	\$13,905	\$14,053	\$10,956	\$5,896	\$5,302	\$5,947	\$6,685	\$7,514

Note: Figures may not add due to rounding.

Source: Frasca & Associates, L.L.C., June 2010  
Prepared by: Ricondo & Associates, Inc., July 2010

B-77

Also presented in Table IV-4 are the PFC collection and account projections. As shown, the PFC beginning balance for budget FY 2011 is approximately \$14.0 million and is projected to decrease to \$5.3 million at the end of FY 2013, the lowest balance for the projection period, as a result of significant PAYGO expenditures on the Program. Thereafter, the account balance is projected to increase year-over-year as collections are greater than the planned debt service on the Series 2010A PFC Bonds and reach \$7.5 million in FY 2016.

#### **4.2.4 Customer Facility Charges**

The Airport currently imposes a CFC on customer rental car transactions on a per day basis of \$4.00 per transaction day. The airport plans to use approximately \$7.3 million of CFCs toward the rental car portion of the Program. As of June 30, 2010, the Airport held a CFC fund balance of \$9.8 million.

#### **4.2.5 Other Available Funds**

The Department of Airports intends to apply approximately \$16.5 million of Airport cash, \$4.2 million of local grants (including a \$3.8 million grant from the Myrtle Beach Air Force Base Redevelopment Authority), and \$7.5 million of Transportation Security Administration grants toward the Program.

### **4.3 Operation and Maintenance Expenses**

**Table IV-5** presents O&M expenses at the Airport by expense category for actual FYs 2009 and 2010, budget FY 2011, and projected FYs 2012 through 2016. As shown, total O&M expenses equaled \$11.3 million in FY 2010 and are projected to increase to approximately \$19.5 million by FY 2016. This projected increase in O&M represents a compounded annual growth rate of 9.5 percent. In general, projections of future O&M expenses were based on a review of historical trends, the anticipated impacts of inflation, and impacts due to the TCEP. Specific points concerning the projections of O&M expenses by category are discussed in the following sections.

#### **4.3.1 Personal Services**

Personal services include administrative, custodial, maintenance, police, security, aircraft rescue fire fighting (ARFF), and FBO related expenses. O&M expenses for personal services, excluding projected incremental increases from the TCEP, equaled \$5.8 million in FY 2009 and \$5.7 million in FY 2010. O&M expenses for personal services are projected to increase to approximately \$6.2 million in Budget FY 2011, and to approximately \$8.2 million in FY 2016. The increase from FY 2009 to FY 2016 represents a compounded annual growth rate of 5.5 percent

The following assumptions were used in projecting personal services expenses by category between FY 2012 and FY 2016:

- Administrative expenses are projected to increase at an annual rate of 8.0 percent
- Custodial expenses are projected to increase at an annual rate of 3.0 percent
- Maintenance expenses are projected to increase at an annual rate of 7.0 percent
- Police expenses are projected to increase at an annual rate of 5.0 percent
- Security and ARFF expenses are projected to increase at an annual rate of 4.5 percent
- FBO expenses are projected to increase at an annual rate of 3.0 percent

**Table IV-5**

Operation & Maintenance Expenses  
Fiscal Year Ending June 30  
(Figures in Thousands)

	Actual		Budget		Projected			
	2009	2010	2011	2012	2013	2014	2015	2016
<b>Personal Services</b>								
Administrative	\$1,095	\$1,160	\$1,346	\$1,453	\$1,570	\$1,695	\$1,831	\$1,977
Custodial	432	462	440	453	467	481	495	510
Maintenance	1,761	1,502	1,730	1,851	1,980	2,119	2,267	2,426
Police	539	503	601	632	663	696	731	768
Security	307	302	404	422	441	461	481	503
ARFF	850	826	851	889	929	971	1,015	1,060
FBO	653	673	822	847	872	898	925	953
<b>Total Personal Services</b>	<b>\$5,637</b>	<b>\$5,428</b>	<b>\$6,194</b>	<b>\$6,547</b>	<b>\$6,922</b>	<b>\$7,321</b>	<b>\$7,746</b>	<b>\$8,197</b>
<b>Materials/Supplies/Services</b>								
Electricity	\$603	\$675	\$778	\$825	\$875	\$927	\$983	\$1,042
Building Maintenance	154	184	177	182	187	193	199	205
COS - Fuel	2,362	2,242	2,350	2,491	2,640	2,799	2,967	3,145
US Customs	175	155	180	185	191	197	203	209
County Allocation	234	341	264	272	280	289	297	306
Other	1,698	1,716	2,122	2,186	2,251	2,319	2,388	2,460
<b>Total Materials/Supplies/Services</b>	<b>\$5,227</b>	<b>\$5,313</b>	<b>\$5,871</b>	<b>\$6,141</b>	<b>\$6,425</b>	<b>\$6,723</b>	<b>\$7,037</b>	<b>\$7,366</b>
<b>TCEP Incremental O&amp;M</b>								
Custodial & Maintenance Personal Services				270	540	578	618	662
Electricity				550	1,100	1,166	1,236	1,310
Building Maintenance				675	1,350	1,391	1,432	1,475
Insurance				33	65	67	69	71
<b>Total TCEP Incremental O&amp;M</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,528</b>	<b>\$3,055</b>	<b>\$3,201</b>	<b>\$3,355</b>	<b>\$3,518</b>
Reimbursed Expenses & Other	\$403	\$603	\$394	\$407	\$420	\$434	\$448	\$463
<b>Total Operation &amp; Maintenance Expenses</b>	<b>\$11,267</b>	<b>\$11,344</b>	<b>\$12,459</b>	<b>\$14,623</b>	<b>\$16,822</b>	<b>\$17,680</b>	<b>\$18,586</b>	<b>\$19,544</b>

Note: Figures may not add due to rounding.

Source: Frasca & Associates, L.L.C. and Ricondo & Associates, Inc., September 2010  
Prepared by: Ricondo & Associates, Inc., September 2010

### **4.3.2 Materials/Supplies/Services**

Materials/supplies/services include electricity, building maintenance, fuel - cost of sale, U.S. Customs, county allocation, and other expenses, which includes security guard contract, other utilities, legal/professional fees, service contracts/temporary services, insurance, and other expenses. O&M expenses for materials/supplies/services, excluding projected incremental increases from the TCEP, equaled \$5.2 million in FY 2009 and \$5.3 million in FY 2011. O&M expenses for materials/supplies/services are projected to increase to approximately \$5.9 million in Budget FY 2011, and to approximately \$7.4 million in FY 2016. The increase from FY 2009 to FY 2016 represents a compounded annual growth rate of 5.0 percent

Beginning in projected FY 2012, materials/supplies/services are projected to increase annually at the following rates:

- Electricity and fuel – cost of sale expenses are projected to increase at a rate of 6.0 percent
- Building maintenance, US Customs, county allocation and other expenses are projected to increase at a rate of 3.0 percent

### **4.3.3 TCEP Incremental O&M**

Incremental O&M expenses as a result of the TCEP are projected to equal approximately \$1.5 million in FY 2012 and \$3.1 million in FY 2013 (the first full year of operation of the TCEP), which represents an 22.9 percent incremental increase. Approximately \$540,000 of the \$3.1 million projected increase consists of additional staffing costs related to janitorial services, landscaping, elevator and escalator repair and maintenance, baggage systems operations and maintenance, common use terminal equipment operations and maintenance, and loading bridge operations and maintenance. The remaining \$2.52 million consists of additional costs related to building maintenance and janitorial materials and supplies, electricity, and insurance. Incremental O&M expenses from FY 2013 to FY 2016 is projected to increase at a compounded annual growth rate of 5.2 percent and reach \$3.5 million in FY 2016.

## **4.4 Non-Airline Revenues**

**Table IV-6** presents non-airline revenues at the Airport by category for actual FYs 2009 and 2010, budget FY 2011, and projected FYs 2012 through 2016. As shown, total non-airline revenues are budgeted to equal approximately \$12.9 million in FY 2011 and projected to increase to approximately \$15.2 million in FY 2016. This increase represents a compounded annual growth rate of 3.3 percent for FY 2011 through FY 2016. In general, projections of future non-airline revenues were based on a review of historical trends, the anticipated impacts of inflation, and the projected growth in activity. Specific points concerning these projections are discussed in the following sections.

### **4.4.1 Car Rental**

Seven rental car agencies provide service at the Airport, which include National/Alamo, Avis, Budget, Enterprise, Hertz, Thrifty/Dollar, and U-Save. The current agreements between these agencies and the Airport provide for a concession fee equal to the greater of a minimum annual guarantee or a percentage of gross revenues. The current agreements expire at the end of FY 2012 and for the purposes of this analysis, the Airport is assumed to collect a similar concession fee as derived in the current agreements. The rental car agencies, collectively, are committed to a rental car

**Table IV-6**

Non-Airline Revenues

Fiscal Year Ending June 30

(Figures in Thousands Except Rates)

	Actual		Budget		Projected			
	2009	2010	2011	2012	2013	2014	2015	2016
<b>Non-Airline Operating Revenues</b>								
Car Rentals	\$3,232	\$3,212	\$3,232	\$3,360	\$3,492	\$3,629	\$3,772	\$3,918
Restaurant & Gift Shop	951	951	951	989	1,028	1,068	1,110	1,153
Automobile Parking	1,390	1,415	1,500	1,559	1,621	1,684	1,751	1,818
FBO	3,840	3,853	4,304	4,461	4,609	4,760	4,914	5,071
Airline Services	775	592	750	777	803	830	856	884
Limo/Ground Transportation	112	142	151	157	163	169	176	183
Advertising	163	131	131	133	135	137	139	141
Other Lease Revenue	682	773	738	749	760	771	783	795
Other Concession Revenue	123	100	98	100	101	103	104	106
Other Revenue	365	323	250	253	257	261	265	269
<b>Total Non-Airline Operating Revenue</b>	<b>\$11,634</b>	<b>\$11,492</b>	<b>\$12,104</b>	<b>\$12,537</b>	<b>\$12,969</b>	<b>\$13,412</b>	<b>\$13,869</b>	<b>\$14,336</b>
Interest Income	\$1,274	\$731	\$825	\$722	\$746	\$784	\$820	\$855
<b>Total Non-Airline Revenue</b>	<b>\$12,908</b>	<b>\$12,223</b>	<b>\$12,929</b>	<b>\$13,259</b>	<b>\$13,715</b>	<b>\$14,196</b>	<b>\$14,689</b>	<b>\$15,190</b>

Source: Frasca & Associates, L.L.C. and Ricondo & Associates, Inc., September 2010

Prepared by: Ricondo & Associates, Inc., September 2010

minimum annual guarantee for fiscal years 2009 (last ten months only), 2010, 2011, and 2012, of approximately \$2.4 million, \$2.9 million, \$3.0 million, and \$3.1 million, respectively. Airport car rental concession revenue equaled \$3.2 million in FY 2009 and FY 2010. Airport car rental concession revenue is budgeted to equal \$3.2 million for FY 2011. Thereafter, concession revenue from car rentals is projected to increase at a compounded annual growth rate of 3.9 percent and reach \$3.9 million in FY 2016.

#### **4.4.2 Restaurant/Gift Shop**

Food and beverage concessions are provided at the Airport by MSE Branded Foods of South Carolina (MSE). The concession agreement with MSE expires December 31, 2013. The agreement provides for a concession fee equal to the greater of the following: a minimum annual guarantee; a percentage of gross revenues with incremental increases in the percentage amount as gross sales exceed predetermined thresholds; or a per enplaned passenger fee.

Merchandise concessions are provided at the Airport by Airport Management Services (AMS) doing business as Hudson News. The merchandise agreement with AMS was recently extended to December 31, 2013. The agreement provides for a concession fee equal to the greater of the following: a minimum annual guarantee; a percentage of gross revenues with incremental increases in the percentage amount as gross sales exceed predetermined thresholds; a per enplaned passenger fee; or 90 percent of the previous calendar year's percentage rent.

In FY 2009 and FY 2010, Airport restaurant and gift shop concession revenue equaled approximately \$951,000 and is budgeted to remain at the same level for FY 2011. Based on impacts of inflation, activity growth, and the assumption that the Airport continues to collect similar concession fees as derived in the current agreements, from FY 2011 to FY 2016 Airport restaurant and gift shop concession revenue is projected to increase at a 3.9 percent compounded annual growth rate and reach approximately \$1.2 million in FY 2016.

#### **4.4.3 Automobile Parking**

The automobile parking facilities at the Airport are operated by Republic Parking System of Myrtle Beach under a concession agreement, which expires on August 1, 2011. As previously presented in Section 3.1.2 of this report, automobile public parking areas comprise more than 1,489 at-grade automobile parking spaces adjacent to or near the Terminal. The maximum daily parking rates are as follows: \$21 for the short-term hourly lot; \$8 for the first day and \$7 for each additional day for the long-term hourly lot; and \$6 for the first day and \$5 for each additional day for the economy hourly lot.

Automobile parking revenue equaled approximately \$1.4 million in FY 2009 and FY 2010, and is budgeted to equal \$1.5 million for FY 2011. Thereafter, parking revenue is projected to increase at a 3.9 percent compounded annual growth rate and equal approximately \$1.8 million in FY 2016. Parking revenue projections are based on the assumption that the Airport continues to collect similar parking fees as derived in the current agreement.

#### **4.4.4 FBO**

FBO revenue is primarily derived from the County's sale of aviation fuel at the Airport along with revenues from other services provided by the FBO. FBO revenue accounts for the largest source of non-airline revenues at the Airport, representing approximately 33 percent of total non-airline

operating revenue in FY 2009. FBO revenue equaled \$3.8 million and \$3.9 million in FY 2009 and FY 2010, respectively. FBO revenue is budgeted in FY 2011 at \$3.9 million. From FY 2011 to FY 2016, FBO revenue is projected to increase at a 3.3 percent compounded annual growth rate and equal \$5.1 million in FY 2016.

#### **4.4.5 Airline Services**

Airline Services revenue is derived from fueling and ground handling aircraft services provided by the County on an as requested basis. Airline Services revenue equaled \$592,000 in FY 2010 and is projected to reach \$884,000 in FY 2016

#### **4.4.6 Other Operating Revenue**

Other operating revenue includes limo/ground transportation service fees, hangar and building leases, land leases, late fees, TSA reimbursements, and advertising. Other operating revenue equaled approximately \$1.1 million in FY 2010 and is projected to reach \$1.5 million in FY 2016.

### **4.5 Airline Revenues**

The balance of the revenues generated at the Airport is comprised of terminal rentals, landing fees, and other fees and charges payable by the airlines. The rate-setting formulas for terminal rentals and landing fees are described in greater detail below:

#### **4.5.1 Terminal Rental Rates**

The terminal rental rate calculation combines terminal cost center-specific O&M and capital expenses (excluding the TCEP incremental O&M expenses and debt service on the Series 2010 Bonds), less the terminal portion of the security response reimbursement. Rental rates are differentiated based on services provided to the rented location and are classified as: category I (basic, HVAC, and janitorial services), category II (basic and HVAC services only) and category III (basic services only). These differential rates are calculated by dividing the O&M requirement for basic services, janitorial services and HVAC service by the respective rentable space for which the service is provided. A capital square footage rate is also calculated by summing all terminal cost center-specific capital expenses and dividing it by the total square footage of airline rented space. This capital square footage rate is added to the rental rate of each of the three categories of space and multiplied by the respective airline rented space for each category to determine total terminal rent revenue required. The signatory terminal rental rate is equal to the terminal rent revenue required divided by airline rented space. The non-signatory rate is equal to 125 percent of the signatory rate. Total terminal rent revenue is equal to the signatory terminal rental rate and the non-signatory terminal rental rate multiplied by their respective rented space.

**Table IV-7** presents the signatory terminal rental rate calculation and **Table IV-8** presents the airline terminal rent revenue calculation. The signatory terminal rental rate equaled \$47.18 in FY 2009, \$47.63 in FY 2010, and is projected to increase to \$50.74 in FY 2011. As the result of additional terminal rentable space associated with the Program, the average terminal rental rate is projected to decrease to \$30.65 in FY 2012 and to \$22.44 in FY 2013. Thereafter, the signatory terminal rental rate is projected to increase steadily between 4 and 5 percent annually through the projection period and reach \$25.44 in FY 2016. In FY 2010, terminal rental revenue equaled approximately \$4.1 million. Terminal rental revenue is projected to reach \$4.7 million in FY 2016.

**Table IV-7**

Signatory Airline Terminal Rental Rate Calculation  
Fiscal Year Ending June 30  
(Figures in Thousands Except Rates)

		Actual	Budget	Projected					
		2009	2010	2011	2012	2013	2014	2015	2016
Terminal O&M Expenses <sup>1/</sup>	[A]	\$4,236	\$4,260	\$4,755	\$5,007	\$5,273	\$5,554	\$5,853	\$6,170
Less:									
Terminal Security Response Reimbursement	[B]	102	99	104	109	115	120	126	133
HVAC Services	[C]	263	278	313	329	345	362	380	399
Custodial Services	[D]	432	462	440	453	467	481	495	510
Cleaning Supplies	[E]	61	68	66	70	73	77	81	85
Net Basic Services O&M Requirement	[F]=[A]-[B]-[C]-[D]-[E]	\$3,377	\$3,352	\$3,832	\$4,046	\$4,273	\$4,514	\$4,770	\$5,043
Space with Basic Services (square feet) <sup>2/</sup>	[G]	115	115	115	203	290	290	290	290
CAT III: Basic Services Only Space O&M Rental Rate	[H]=[F]/[G]	\$29.41	\$29.19	\$33.37	\$19.93	\$14.73	\$15.57	\$16.45	\$17.39
HVAC Services Requirement	[C]	\$263	\$278	\$313	\$329	\$345	\$362	\$380	\$399
Space with HVAC Services (square feet) <sup>2/</sup>	[I]	101	101	101	178	254	254	254	254
HVAC Services Space O&M Rental Rate	[J]=[C]/[I]	\$2.62	\$2.76	\$3.11	\$1.85	\$1.36	\$1.43	\$1.50	\$1.57
CAT II: Basic and HVAC Services Only O&M Rental Rate	[K]=[H]+[J]	\$32.03	\$31.96	\$36.48	\$21.78	\$16.09	\$16.99	\$17.95	\$18.96
Janitorial Services Requirement	[L]=[D]+[E]	\$493	\$531	\$506	\$523	\$540	\$558	\$576	\$595
Space with Janitorial Services (square feet) <sup>2/</sup>	[M]	80	80	80	140	200	200	200	200
Janitorial Services Space O&M Rental Rate	[N]=[L]/[M]	\$6.20	\$6.67	\$6.37	\$3.73	\$2.70	\$2.79	\$2.88	\$2.97
CAT I: Basic, HVAC, and Janitorial Services O&M Rental Rate	[O]=[K]+[N]	\$38.23	\$38.63	\$42.85	\$25.51	\$18.79	\$19.78	\$20.83	\$21.93
<b>Capital Expense Charged to Airlines</b>									
Debt Service Series 1997 Bonds		\$290	\$328	\$80	\$0	\$0	\$0	\$0	\$0
Debt Service Series 2000 Bonds		415	415	71	0	0	0	0	0
Debt Service Series 2010A Non-PFC Bonds <sup>1/</sup>		0	0	0	0	0	0	0	0
Amortization Series 1997C Redemption		0	0	148	197	197	192	192	192
Amortization Series 2000 Redemption		0	0	277	415	415	415	415	415
Amortization of Series 1997A Bonds Redemption		0	0	94	123	126	128	124	126
Amortization Series 1997 Bond Issuance Cost		2	2	1	0	0	0	0	0
Amortization Series 2000 Refunding Bonds Deferred Charges		31	31	15	0	0	0	0	0
Amortization of Existing Projects		97	110	110	109	99	93	93	72
Amortization of Future Projects		0	0	0	5	10	15	25	35
Capital Expenditures		35	0	0	1	1	2	2	3
Total Capital Expense Charged to Airlines	[P]	\$870	\$886	\$797	\$849	\$848	\$844	\$851	\$843
<b>Airline Leased Space (square feet) <sup>2/</sup></b>									
CAT III: Basic Services Only	[Q]	14	14	14	23	32	32	32	32
CAT II: Basic and HVAC Services Only	[R]	7	7	7	12	17	17	17	17
CAT I: Basic, HVAC, and Janitorial Services	[S]	58	58	58	96	135	135	135	135
Total Airline Leased Space (square feet)	[T]=[Q]+[R]+[S]	79	79	79	131	184	184	184	184
Airline Capital Charge Rental Rate	[U]=[P]/[T]	\$11.02	\$11.22	\$10.09	\$6.46	\$4.61	\$4.59	\$4.63	\$4.58
<b>Airline Terminal Rent Revenue</b>									
CAT III: Basic Services Only with Capital Charge	[V]=[H]+[U]*[Q]	\$561	\$561	\$603	\$611	\$627	\$653	\$683	\$712
CAT II: Basic and HVAC Services Only with Capital Charge	[W]=[K]+[U]*[R]	288	289	311	336	345	359	376	392
CAT I: Basic, HVAC and Janitorial Services with Capital Charge	[X]=[O]+[U]*[S]	2,877	2,912	3,092	3,083	3,158	3,288	3,434	3,578
Total Airline Terminal Rent Revenue Required	[Y]=[V]+[W]+[X]	\$3,726	\$3,762	\$4,007	\$4,030	\$4,130	\$4,301	\$4,494	\$4,682
Signatory Airline Terminal Rental Rate <sup>3/</sup>	[Z]=[Y]/[T]	\$47.18	\$47.63	\$50.74	\$30.65	\$22.44	\$23.37	\$24.42	\$25.44

Note:

- 1/ Terminal Capacity Enhancement Program Incremental O&M and Debt Service on the Series 2010A Non-PFC Bonds are not recovered through Airline Rates and Charges at the Airport's discretion, but is recoverable per the Airline Agreement.
- 2/ Projected changes to space associated with the TCEP are preliminary.
- 3/ This analysis assumes the redemption of the Outstanding Bonds; thus, the projected FY 2011 rate is different than the current budget FY 2011 rate of \$51.78.

Source: Frasca & Associates, L.L.C. and Ricondo & Associates, Inc., September 2010  
Prepared by: Ricondo & Associates, Inc., September 2010

**Table IV-8**

Airline Terminal Rent Revenue  
Fiscal Year Ending June 30  
(Figures in Thousands Except Rates)

		Actual				Projected			
		2009	2010	2011	2012	2013	2014	2015	2016
Signatory Terminal Rental Rate	[A]	\$47.18	\$47.63	\$50.74	\$30.65	\$22.44	\$23.37	\$24.42	\$25.44
Non-Signatory Terminal Rental Rate	[B]=[A]*[125%]	\$58.97	\$59.53	\$63.42	\$38.31	\$28.05	\$29.22	\$30.53	\$31.80
Signatory Leased Space (square feet)	[C]	76	76	76	126	175	175	175	175
Non-Signatory Leased Space (square feet)	[D]	3	3	3	6	9	9	9	9
Signatory Airline Terminal Rent Revenue	[E]=[A]*[C]	\$3,586	\$3,621	\$3,857	\$3,862	\$3,928	\$4,090	\$4,274	\$4,453
Non-Signatory Airline Terminal Rent Revenue	[F]=[B]*[D]	175	177	188	230	252	263	275	286
Total Airline Terminal Rent Revenue	[G]=[E]+[F]	\$3,762	\$3,797	\$4,045	\$4,092	\$4,180	\$4,353	\$4,548	\$4,739
Non-Signatory Premium	[H]	\$324	\$290	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Airline Terminal Rent Revenue	[I]=[G]-[H]	\$4,086	\$4,087	\$4,045	\$4,092	\$4,180	\$4,353	\$4,548	\$4,739

Note: Figures may not add due to rounding.

Source: Frasca & Associates, L.L.C. and Ricondo & Associates, Inc., September 2010  
Prepared by: Ricondo & Associates, Inc., September 2010

B-85

It is important to note that terminal expansion incremental O&M expenses and annual debt service on the non-PFC supported portion of the Series 2010A Bonds may be recovered through Airline Rates and Charges (per the methodology described in the current Signatory Airline Agreement), however, the projections do not reflect such charges. At this time, the Airport has committed to the airlines to exclude the terminal debt service associated with the TCEP from airline rates. Furthermore, for the purposes of this report, the incremental TCEP O&M expenses are also assumed to be excluded from airline terminal rental revenues, although the Airport may choose to include the incremental TCEP O&M expenses in the rate calculation at its discretion.

#### **4.5.2 Landing Fees**

The net airfield requirement is equal to the cost center-specific O&M and capital expenses, less the airfield portion of the security response reimbursement and a credit for general aviation fuel sales. This net airfield requirement is divided by total landed weight to determine the signatory airlines landing fee rate per thousand pounds. The non-signatory airlines landing fee rate equals 125 percent of the signatory airlines landing fee rate.

**Table IV-9** presents the landing fees for actual FYs 2009 and 2010, budget FY 2011, and projected FYs 2012 through 2016. In FY 2009 and FY 2010, the applied signatory landing fee equaled \$0.50 as a result of an incentive program that the Airport instituted at its discretion and adjusted landing fee revenues equaled approximately \$876 thousand and \$552 thousand, respectively. For FY 2011, the landing fee is budgeted at \$2.00 before application of the landing fee waiver. The landing fee is projected to increase each year thereafter for the presented period and reach \$2.30 in FY 2016. Similarly, from FY 2011 to FY 2016, adjusted landing fee revenue, which includes a projected landing fee waiver equal to one third of the calculated landing fee revenue, is projected to increase each year and equal \$1.8 million at the end of the described period.

#### **4.6 Airline Cost per Enplanement**

**Table IV-10** presents the average airline cost per enplanement for actual FYs 2009 and 2010, budget FY 2011, and projected FYs 2012 through 2016. Based on the estimates and calculations described in the previous sections and the enplanement forecast described in Chapter 2, the average airline cost per enplanement decreased from \$6.48 in FY 2009 to \$5.77 in FY 2010, which is primarily the result of the landing fee waiver applied in FY 2010. In FY 2011, the average cost per enplaned passenger is budgeted to increase to \$7.03, which is primarily the result of a lower landing fee waiver. The average cost per enplaned passenger is projected to decrease to \$6.98 in FY 2012 and thereafter, increase steadily each year through the projection period and equal \$7.43 in FY 2016.

#### **4.7 Application of Revenues and Debt Service Coverage Ratio**

Based on the financial projections in the preceding sections of this chapter and the terms of the 2010 Bond Ordinance, **Table IV-11** presents the application of revenues and debt service coverage ratios for the Airport for actual FYs 2009 and 2010, budget FY 2011, and projected FYs 2012 through 2016. The debt service coverage ratio equaled 7.54x in FY 2009 and 6.75x in FY 2010. As a result of the redemption of the outstanding Series 1997A, 1997C, and 2000 Bonds in the middle of FY 2011, projected debt service for FY 2011 is \$218,000 compared to \$1.1 million the previous year; thus the debt service coverage ratio is projected to increase to 36.81x. In FY 2012, the only planned debt service is the first semi-annual payment on the Series 2010B Bonds, which equals approximately \$198,000, and results in a debt service coverage ratio of 32.03x. Reflecting the effect of the opening of the expanded facility and increased debt service associated with the expiration of

Table IV-9

Landing Fee Calculation and Revenue  
Fiscal Year Ending June 30  
(Figures in Thousands Except Rates)

		Actual		Projected					
		2009	2010	2011	2012	2013	2014	2015	2016
Airfield O&M Expenses		\$1,804	\$1,901	\$1,965	\$2,070	\$2,182	\$2,301	\$2,427	\$2,560
Capital Expenditures		33	5	0	0	0	0	0	0
Amortization of Existing Projects		253	196	169	131	131	126	95	28
Amortization of Future Projects		0	0	0	8	18	33	48	88
Less:									
Airfield Security Response Reimbursement		102	99	104	108	112	117	122	127
GA Aircraft Fuel Sales Credit		27	24	17	18	19	19	20	21
Net Airfield Requirement	[A]	\$1,960	\$1,979	\$2,013	\$2,084	\$2,201	\$2,323	\$2,428	\$2,529
Signatory Landed Weight (millions lbs.)	[B]	166	703	737	752	766	779	792	806
Non-Signatory Landed Weight (million lbs.)	[C]	792	257	270	275	280	285	290	295
Total Landed Weight (million lbs.)	[D]	958	960	1,006	1,028	1,046	1,064	1,083	1,101
Signatory Landing Fee <sup>1/</sup>	[E]=[A]/[D]	\$0.50	\$0.50	\$2.00	\$2.03	\$2.10	\$2.18	\$2.24	\$2.30
Non-Signatory Landing Fee <sup>1/</sup>	[F]=[E]*[125%]	\$0.63	\$0.63	\$2.50	\$2.53	\$2.63	\$2.73	\$2.80	\$2.87
Signatory Landing Fee Revenue	[G]=[B]*[E]	\$83	\$351	\$1,473	\$1,525	\$1,611	\$1,701	\$1,777	\$1,851
Non-Signatory Landing Fee Revenue	[H]=[C]*[F]	495	161	674	698	737	778	813	847
Total Landing Fee Revenue	[I]=[G]+[H]	\$578	\$512	\$2,147	\$2,223	\$2,348	\$2,479	\$2,590	\$2,698
Landing Fee Waiver <sup>2/</sup>	[J]			(\$716)	(\$741)	(\$783)	(\$826)	(\$863)	(\$899)
Non-Signatory Premium	[K]	\$298	\$40	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Landing Fee Revenue	[L]=[I]+[J]+[K]	\$876	\$552	\$1,432	\$1,482	\$1,565	\$1,653	\$1,727	\$1,799

Note: Figures may not add due to rounding.

1/ In 2009 and 2010, the applied landing fee is different from the calculated landing fee as result of an incentive program.

2/ The landing fee waiver is applied at the Airport's discretion and is not required by the Airline Agreement.

Source: Frasca & Associates, L.L.C. and Ricondo & Associates, Inc., September 2010

Prepared by: Ricondo & Associates, Inc., September 2010

**Table IV-10**

Average Cost Per Enplaned Passenger  
Fiscal Year Ending June 30  
(Figures in Thousands Except Rates)

		Actual		Projected					
		2009	2010	2011	2012	2013	2014	2015	2016
<b>Airline Revenue</b>									
Terminal Rent		\$4,086	\$4,087	\$4,045	\$4,092	\$4,180	\$4,353	\$4,548	\$4,739
Landing Fees		876	552	1,432	1,482	1,565	1,653	1,727	1,799
Security Fees		217	209	225	230	235	239	244	249
Signatory Airline Credit		(365)	(433)	0	0	0	0	0	0
Total Airline Revenue	[A]	\$4,814	\$4,416	\$5,702	\$5,804	\$5,980	\$6,245	\$6,520	\$6,787
Enplanements	[B]	743	765	811	831	851	871	892	913
Average Cost Per Enplaned Passenger	[C]=[A]/[B]	\$6.48	\$5.77	\$7.03	\$6.98	\$7.03	\$7.17	\$7.31	\$7.43

Note: Figures may not add due to rounding.

Source: Frasca & Associates, L.L.C. and Ricondo & Associates, Inc., September 2010  
Prepared by: Ricondo & Associates, Inc., September 2010

**Table IV-11**

Application of Revenue and Debt Service Coverage Ratio  
Fiscal Year Ending June 30  
(Figures in Thousands Except Rates)

		Actual		Projected					
		2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenue</b>									
Terminal Rent		\$4,086	\$4,087	\$4,045	\$4,092	\$4,180	\$4,353	\$4,548	\$4,739
Landing Fees		876	552	1,432	1,482	1,565	1,653	1,727	1,799
Security Fees		217	209	225	230	235	239	244	249
Signatory Airline Credit		(365)	(433)	0	0	0	0	0	0
Non-Airline Operating Revenue		11,634	11,492	12,104	12,537	12,969	13,412	13,869	14,336
Interest Income		1,274	731	825	722	746	784	820	855
<b>Total Revenue</b>	[A]	<b>\$17,721</b>	<b>\$16,638</b>	<b>\$18,631</b>	<b>\$19,063</b>	<b>\$19,695</b>	<b>\$20,441</b>	<b>\$21,209</b>	<b>\$21,977</b>
Less: Operating & Maintenance Expenses	[B]	\$11,267	\$11,344	\$12,459	\$14,623	\$16,822	\$17,680	\$18,586	\$19,544
Less: City Aviation Fund Receipts <sup>1/</sup>	[C]	(\$1,726)	(\$2,028)	(\$1,800)	(\$1,850)	(\$1,900)	(\$1,950)	(\$2,000)	(\$2,050)
<b>Net Revenue</b>	[D]=[A]-[B]-[C]	<b>\$8,180</b>	<b>\$7,322</b>	<b>\$7,972</b>	<b>\$6,291</b>	<b>\$4,772</b>	<b>\$4,711</b>	<b>\$4,623</b>	<b>\$4,483</b>
<b>Debt Service</b>									
Series 1997 Bonds		\$320	\$324	\$80	\$0	\$0	\$0	\$0	\$0
Series 2000 Bonds		802	802	138	0	0	0	0	0
Series 2010 Bonds		0	0	0	198	1,715	4,160	4,162	4,162
<b>Total Debt Service</b>	[E]	<b>\$1,122</b>	<b>\$1,126</b>	<b>\$218</b>	<b>\$198</b>	<b>\$1,715</b>	<b>\$4,160</b>	<b>\$4,162</b>	<b>\$4,162</b>
<b>Debt Service Coverage Calculation <sup>2/</sup></b>									
Net Revenue	[D]	\$8,180	\$7,322	\$7,972	\$6,291	\$4,772	\$4,711	\$4,623	\$4,483
Available PFC Revenue <sup>3/</sup>	[F]	0	0	0	0	1,719	3,519	3,603	3,677
<b>Total Pledged Revenue</b>	[G]	<b>\$8,180</b>	<b>\$7,322</b>	<b>\$7,972</b>	<b>\$6,291</b>	<b>\$6,491</b>	<b>\$8,230</b>	<b>\$8,226</b>	<b>\$8,160</b>
Coverage Account	[H]	\$280	\$281	\$55	\$49	\$429	\$1,040	\$1,040	\$1,040
Debt Service	[E]	\$1,122	\$1,126	\$218	\$198	\$1,715	\$4,160	\$4,162	\$4,162
<b>Debt Service Coverage</b>	[I]=([G]+[H])/[E]	<b>7.54</b>	<b>6.75</b>	<b>36.81</b>	<b>32.03</b>	<b>4.03</b>	<b>2.23</b>	<b>2.23</b>	<b>2.21</b>

Note:

1/ City Aviation Fund Receipts represent an amount: received by the County from the City, appropriated for the payment of operation and maintenance expenses of the Airport, and considered a Non-System Amount. Per the Bond Ordinance, Net Revenue is defined as (i) Revenues (ii) less Operation and Maintenance Expenses, net of Operation and Maintenance Expenses paid from Non-System Amounts.

2/ Calculated under 2010 Bond Ordinance.

3/ Reflects the amount of Available PFC Revenues included in calculating the debt service coverage requirement, which is limited to an amount not to exceed 125% of the Maximum Annual Debt Service on the Outstanding PFC Bonds. FY 2013 is prorated for a half year.

Source: Frasca & Associates, L.L.C. and Ricondo & Associates, Inc., September 2010

Prepared by: Ricondo & Associates, Inc., September 2010

the capitalized interest period and the commencement of amortization of the Series 2010A Bonds, the debt service coverage ratio is projected to decrease to 4.03x in FY 2013, and to 2.23x in FY 2014, the first full year of operations in the expanded facility. As pledged revenue and debt service is projected to remain relatively stable from FY 2014 through FY 2016, the debt service coverage ratio is also projected to remain relatively stable through FY 2016.

Based on the economic analysis presented in Chapter 1 that demonstrates the ability of the Air Trade Area to generate demand for air service at the Airport; the enplanement forecast presented in Chapter 2 that reflects the continued demand for air service and the airlines' ability to provide such service; and financial projections contained in this Chapter 4, R&A is of the opinion that the projected Net Revenues (Revenue less Operation and Maintenance Expense, net of Operation and Maintenance Expenses paid from Non-System Amounts (as defined in the Bond Ordinances)) are sufficient to meet or exceed the annual debt service requirements of the Outstanding Bonds and the Series 2010 Bonds and the covenants made by Horry County pursuant to the Bond Ordinance through the projection period. Specifically, based on its financial forecast, R&A is of the opinion that the Net Revenues (which includes Available PFC Revenue) generated will be sufficient to meet or exceed the Rate Covenant as set forth in the Bond Ordinance requiring that Net Revenues equal a minimum of 125 percent of the annual debt service.

#### **4.8 Flow of Funds**

**Table IV-12** presents the flow of funds as established by the Bond Ordinance for projected FY 2011 through FY 2016. The funds presented include the Revenue Fund, Operation and Maintenance Fund, Bond Fund, Debt Service Reserve Fund, and Depreciation and Contingent Fund. For the purposes of this analysis the Construction Fund is not presented and all proceeds from the Series 2010 Bonds deposited in the Construction Fund are assumed to be applied to the Program. Furthermore, the funds established by the prior Airport bond ordinance of the County are not presented, but the transfers of monies from such funds into the appropriate funds established by the Bond Ordinance are presented.

#### **4.9 Assumptions for Financial Projections**

The techniques and methodologies used in preparing this report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes that the approach and assumptions used are reasonable, some assumptions regarding future trends and events detailed in this report including, but not limited to, the implementation schedule and enplanement projections may not materialize. Achievement of the projections presented in this report, therefore, is dependent upon the occurrence of future events, which cannot be assured, and the variations may be material.

**Table IV-12**

Flow of Funds

Fiscal Year Ending June 30

(Figures in Thousands Except Rates)

	Projected					
	2011	2012	2013	2014	2015	2016
<b>Revenue Fund</b>						
Beginning Balance	\$45,144	\$32,518	\$32,069	\$31,087	\$33,115	\$35,036
Deposit: Revenue	18,631	19,063	19,695	20,441	21,209	21,977
Transfer to O&M Fund:						
O&M Expenses less Non-System Amounts	10,659	12,773	14,922	15,730	16,586	17,494
O&M Reserve Requirement	2,122	1,011	1,025	349	369	390
Transfer to Bond Fund:						
Annual Debt Service Series 2010A (Non-PFC) & Series 2010B	198	628	1,229	1,234	1,232	1,273
Transfer to Depreciation & Contingent Fund:						
Depreciation & Contingent Fund Reserve Requirement	192	100	2,500	100	100	100
Transfer to 1990 Bond Ordinance Bond Fund:						
Series 1997 Debt Service	80	0	0	0	0	0
Series 2000 Debt Service	138	0	0	0	0	0
Expend: Capital Improvements	9,000	5,000	1,000	1,000	1,000	1,000
Expend: Redemptions of Series 1997 and Series 2000 Bonds	8,868	0	0	0	0	0
Ending Balance (Unrestricted)	\$32,518	\$32,069	\$31,087	\$33,115	\$35,036	\$36,755
<b>Operation &amp; Maintenance Fund</b>						
Beginning Balance	\$0	\$4,857	\$5,869	\$6,894	\$7,243	\$7,612
Deposit: City Aviation Fund Receipts	1,800	1,850	1,900	1,950	2,000	2,050
Deposit from Revenue Fund:						
O&M Expenses Less City Aviation Fund Receipts	10,659	12,773	14,922	15,730	16,586	17,494
O&M Reserve Requirement	2,122	1,011	1,025	349	369	390
Deposit from 1990 Bond Ordinance Accounts:						
1990 Bond Ordinance O&M Reserve Account	2,735	0	0	0	0	0
Expend:						
O&M Expenses	12,459	14,623	16,822	17,680	18,586	19,544
Ending Balance	\$4,857	\$5,869	\$6,894	\$7,243	\$7,612	\$8,003
<b>Bond Fund</b>						
Beginning Balance	\$0	\$198	\$628	\$1,229	\$1,234	\$1,232
Deposit from Revenue Fund:						
Annual Debt Service Series 2010A (non-PFC) & Series 2010B	198	628	1,229	1,234	1,232	1,273
Deposit from PFC Revenue Fund:						
Annual Debt Service Series 2010A (PFC)	0	0	1,088	2,930	2,928	2,930
Expend:						
Annual Debt Service Series 2010	0	198	1,715	4,160	4,162	4,162
Ending Balance	\$198	\$628	\$1,229	\$1,234	\$1,232	\$1,273
<b>Debt Service Reserve Fund</b>						
Beginning Balance	\$0	\$4,488	\$4,488	\$4,488	\$4,488	\$4,488
Deposit from Bond Issue:						
Debt Service Reserve Fund	4,488	0	0	0	0	0
Ending Balance	\$4,488	\$4,488	\$4,488	\$4,488	\$4,488	\$4,488
<b>Depreciation and Contingent Fund</b>						
Beginning Balance	\$0	\$1,250	\$1,350	\$3,850	\$3,950	\$4,050
Deposit from Revenue Fund:						
Depreciation and Contingent Fund Reserve Requirement	192	100	2,500	100	100	100
Deposit from 1990 Bond Ordinance Accounts:						
1990 Bond Ordinance Depreciation Fund Account	600	0	0	0	0	0
1990 Bond Ordinance Contingent Fund Account	458	0	0	0	0	0
Ending Balance	\$1,250	\$1,350	\$3,850	\$3,950	\$4,050	\$4,150

Source: Bond Ordinance and Ricondo & Associates, Inc., September 2010

Prepared by: Ricondo & Associates, Inc., September 2010

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SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES

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**SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES**

The following statements are brief summaries of certain provisions of the Bond Ordinance as supplemented by the First Supplemental Ordinance (collectively, the “Ordinances”). These summaries do not purport to be complete, and reference is made to the Ordinance for a full and complete statement of such provisions. All capitalized terms not defined herein shall have the meanings ascribed thereto in the Ordinances.

**CERTAIN DEFINITIONS**

The following terms have the following meanings when used in the Ordinance.

**“2010 Debt Service Reserve Account”** shall mean the Debt Service Reserve Account established for the benefit of the Holders of the Series 2010 Bonds and all Series of Additional Bonds participating in the 2010 Debt Service Reserve Account.

**“2010A Construction Fund Account”** shall mean the account of that name within the Construction Fund.

**“2010A Construction Period Interest Account”** shall mean the Construction Period Interest Account established for the sole benefit of the Holders of the Series 2010A Bonds.

**“2010A Debt Service Account”** shall mean the Debt Service Account established for the sole benefit of the Holders of the Series 2010A Bonds.

**“2010B Construction Fund Account”** shall mean the account of that name with the Construction Fund.

**“2010B Construction Period Interest Account”** shall mean the Construction Period Interest Account established for the sole benefit of the Holders of the Series 2010B Bonds.

**“2010B Debt Service Account”** shall mean the Debt Service Account established for the sole benefit of the Holders of the Series 2010B Bonds.

**“AGM”** means Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance, Inc.), a New York stock insurance corporation, or successor thereto or assignee thereof.

**“Accreted Value”** means, with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (determined on the basis of the principal amount per \$5,000 at maturity thereof) plus the amount, assuming semi-annual compounding of earnings, which would be produced on the investment of such principal amount, beginning on the dated date of such Capital Appreciation Bond and ending at the maturity date thereof, at a yield which, if produced until maturity, will produce \$5,000 at maturity. The Accreted Value of any Capital Appreciation Bond shall mean, as of any Valuation Date, the amount set forth on such date in the Supplemental Ordinance authorizing such Capital Appreciation Bond and, as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date, and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from

such preceding Valuation Date to the next succeeding Valuation Date, and (2) the difference between the Accreted Values for such Valuation Dates.

**“Act”** means Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended.

**“Additional Bonds”** means Bonds authenticated and delivered pursuant to the Bond Ordinance ranking on a parity as to the pledge of Revenues (except as to Available PFC Revenues, which are pledged only to PFC Bonds, as more particularly provided in the Bond Ordinance) with the Series 2010 Bonds.

**“Aggregate Annual Debt Service”** means shall mean for any Fiscal Year the aggregate amount of Annual Debt Service on all Outstanding Bonds.

**“Airport”** means the Myrtle Beach International Airport owned and operated by the County, including all land, improvements, personal property and facilities owned by the County now in existence, as said Myrtle Beach International Airport may be hereafter added to, extended, improved, constructed and equipped, and any airport with regular scheduled commercial airline service owned and operated by the County. The Airport shall not include the land, improvements, personal property and facilities owned by the County composing the Myrtle Beach International Technology and Aerospace Park.

**“Annual Budget”** means the annual budget for the Airport, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in the Bond Ordinance.

**“Annual Debt Service”** shall mean, with respect to any Bond, the aggregate amount of principal, interest and such other amounts becoming due and payable during a Fiscal Year. For purposes of calculating Annual Debt Service, the following components of debt service shall be computed as follows:

(a) In determining the amount of principal due in each year, payment shall (unless a different paragraph of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds in amounts equal to the applicable Principal Installments and Sinking Fund Installments; in determining the amount of interest due in each year, interest payable at a fixed rate shall be assumed to be made at such fixed rate and on the required funding dates;

(b) if moneys, Investment Securities or any other amounts not included in Revenues have been used to pay or have been irrevocably deposited with and are held by the Trustee or another fiduciary to pay or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Bonds, then the principal and/or interest to be paid from such moneys, Investment Securities, other amounts not included in Revenues or Capitalized Interest or from the earnings thereon shall be disregarded and not included in calculating Annual Debt Service; and

(c) if Customer Facility Charges, Federal Direct Payments, state and/or federal grants or other moneys not included in Revenues have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on Bonds or specified Bonds, then the principal and/or interest to be paid from such Customer Facility Charges, Federal Direct Payments, state and/or federal grants or other moneys not included in Revenues or from earnings thereon shall be disregarded (unless such Customer Facility Charges, Federal Direct Payments, state and/or federal grants or other moneys are included in the definition of Revenues) and not included in calculating Annual Debt Service.

**“Authorized Officer of the County”** means the Chairman or Vice Chairman of the County Council, the County Administrator or any other officer or employee of the County authorized by ordinance or

resolution of the County Council to perform specific acts or duties related to the subject matter of the authorization.

**“Available PFC Revenues”** means (i) with respect to the pledge and deposit requirements under the Ordinances, the actual PFC Revenues (net of amounts retained by the airlines collecting the PFCs) collected by the County, and (ii) for any historical or projected 12-month period relating to compliance with the parity Additional Bonds test under the Bond Ordinance or for purposes of determining compliance with the rate covenant set forth in the Bond Ordinance, the actual PFC Revenues (net of amounts retained by the airlines collecting the PFCs) collected or accrued or projected to be collected or accrued by the County during such period. PFC Revenues may only be treated as Available PFC Revenues to the extent they are then pledged to the payment of PFC Bonds.

**“Bond”** or **“Bonds”** means the Series 2010 Bonds and any Additional Bonds authenticated and delivered under and pursuant to the Bond Ordinance.

**“Bond Fund”** means the Fund of that name established pursuant to the Bond Ordinance.

**“Bond Ordinance”** means Ordinance No. 77-10 entitled: “GENERAL BOND ORDINANCE AUTHORIZING THE ISSUANCE OF AIRPORT REVENUE BONDS OF HORRY COUNTY, SOUTH CAROLINA; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH THE BONDS MAY BE ISSUED; PROVIDING FOR THE USE OF THE PROCEEDS OF THE BONDS; PROVIDING FOR THE PAYMENT AND SECURITY OF THE BONDS; AND PROVIDING FOR OTHER MATTERS IN CONNECTION THEREWITH” enacted by the County Council, as the same may from time to time be amended or supplemented by a Supplemental Ordinance in accordance with the terms of the Bond Ordinance.

**“Bond Proceeds”** means all amounts received from the sale of a Series of Bonds.

**“Bondholder”** or **“Holder of Bonds”** or any similar term means any person who shall be the registered owner of any Bond or Bonds.

**“Business Day”** means any day other than a Saturday, a Sunday, or a day which shall be in the State of South Carolina or the state in which the principal corporate trust office of the Trustee is located a legal holiday or a day on which banking institutions therein are authorized or obligated by law or executive order to close.

**“Capital Appreciation Bond”** means any Bond as to which interest is payable only at maturity or prior redemption of such Bond. For the purpose of (i) receiving payment of the Redemption Price of a Capital Appreciation Bond that is redeemed prior to maturity, or (ii) computing the amount of Bonds held by the Holder of Capital Appreciation Bonds in giving any notice, consent, request or demand pursuant to the Ordinance for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

**“Capitalized Interest”** shall mean the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other monies that are deposited with the Trustee in a Construction Period Interest Account as shall be described in a Supplemental Ordinance upon issuance of Bonds to be used to pay interest on Bonds.

**“Construction Fund”** means the Fund of that name created pursuant to the Ordinance.

**“Construction Period Interest Account”** means, with respect to a Series of Bonds, the Account of that name authorized to be created for the Series of Bonds pursuant to the Ordinance.

**“Consultant”** means any independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, financial advisory or investment banking firm, or other expert recognized to be well qualified for work of the character required and retained by the County to perform acts and carry out the duties provided for such consultant in the Bond Ordinance.

**“Cost of Construction”** means, with respect to a Project, the County's costs properly attributable to the construction or acquisition thereof, including but not limited to, the cost of acquisition by or for the County of real or personal property or other interest therein, costs of physical construction, interest during construction for a period not to exceed three years or such longer period as may be permitted by the Act, and costs of the County incidental to such construction or acquisition, including, but not limited to, the cost of any indemnity and surety bonds and premiums on insurance during construction; planning, architectural, engineering, permitting, inspection and construction management fees and expenses; legal fees and expenses; cost of audits, fees and expenses of the Trustee; costs of financing, administrative and general overhead and keeping accounts and making reports required by the Bond Ordinance prior to commencement of operation of such Additional Project; amounts, if any, required by the Bond Ordinance to be paid into any Fund, Account or Subaccount established under the Bond Ordinance upon the issuance of any Series of Bonds; payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the County (other than the Bonds) incurred for such Project; costs of machinery, equipment, furnishings and supplies; and may include reimbursement to the County for any such items of Cost of Construction theretofore paid by or on behalf of the County.

**“Counsel's Opinion”** means an opinion signed by an attorney or firm of attorneys (who may be counsel or of counsel to the County) selected by the County.

**“County Council”** means the County Council of the County as the governing body of the County or any successor governing body of the County.

**“Credit Facility”** shall mean the Policy and any other policy of municipal bond insurance, Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal of and/or interest on Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the County fails to do so.

**“Credit Provider”** shall mean the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility, and with respect to the Insured Series 2010A Bonds, shall mean AGM.

**“Customer Facility Charges”** shall mean all amounts received by the County from the payment of any customer facility fees or charges to customers of automobile rental companies, including all interest, profits or other income derived from the deposit or investment thereof.

**“Debt Service Account”** means, with respect to a Series of Bonds, the Account of such name established for the Series of Bonds within the Bond Fund.

**“Debt Service Reserve Account”** shall mean any Debt Service Reserve Account benefitting one or more Series of Bonds established by the County pursuant to a Supplemental Ordinance.

**“Debt Service Reserve Requirement,”** shall mean, with respect to a Debt Service Reserve Account, except as otherwise provided in a Supplemental Ordinance, and without taking into account any

Federal Direct Payments as a credit against debt service, as of any date of calculation, an amount equal to the least of (a) maximum aggregate annual debt service requirements for all Series of Bonds participating in the Debt Service Reserve Account, (b) ten percent of the principal amount of the Bonds that have been issued and are participating in the Debt Service Reserve Account, less the amount of original issue discount with respect to any Series of Bonds if such original issue discount represents more than a *de minimis* amount at the time of its original sale, and (c) 125% of the average annual debt service for all Series of Bonds participating in the Debt Service Reserve Account.

**“Depository”** shall mean any bank, depository or trust company duly qualified and doing business within the State of South Carolina selected by the County as a depository of moneys or securities held by the County under the Ordinances.

**“Depository”** shall mean, with respect to the Series 2010 Bonds, The Depository Trust Company, and its successors, or any successor Securities Depository appointed pursuant to the provisions of the Ordinances.

**“Depreciation and Contingent Fund”** means the Fund of that name created pursuant to the Bond Ordinance.

**“Depreciation and Contingent Fund Reserve Account”** shall mean the Account of such name created pursuant to the Bond Ordinance.

**“Depreciation and Contingent Fund Reserve Requirement”** shall mean, for a Fiscal Year, an amount equal to one-quarter of the budgeted annual depreciation expense of the Airport, as set forth in the Annual Budget for such Fiscal Year.

**“Event of Default”** shall mean the event described as such under the caption “EVENTS OF DEFAULT AND REMEDIES” below.

**“FAA”** means the Federal Aviation Administration and any successor to its functions.

**“Federal Direct Payments”** means amounts payable by the federal government to the County, pursuant to Sections 54AA, 1400U-2 and 6431 of the Code in connection with the County’s issuance of Bonds with respect to the Airport, in lieu of any credit otherwise available to the Bondholders.

**“First Supplemental Ordinance”** shall mean the First Supplemental Ordinance No. 78-10 entitled, “FIRST SUPPLEMENTAL ORDINANCE OF HORRY COUNTY, SOUTH CAROLINA, AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$67,500,000 PRINCIPAL AMOUNT OF AIRPORT REVENUE BONDS, IN TWO SERIES; AND OTHER MATTERS RELATED THERETO,” enacted by the County Council of Horry County, South Carolina on October 19, 2010, supplementing the Bond Ordinance.

**“Fiscal Year”** means the annual accounting period of the County for its general accounting purposes which period consists of the 12 consecutive calendar months beginning July 1 of each year and ending June 30 of the succeeding year, or such other consecutive 12 calendar month period determined by ordinance of the County Council to be the County's fiscal year.

**“Governmental Obligations”** shall mean any of the following to the extent the same constitute Investment Securities:

- (a) non-callable bonds, notes or direct obligations and general obligations of the United States;

- (b) non-callable U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - "SLGS");
- (c) non-callable direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury;
- (d) non-callable obligations issued by any agency or instrumentality of the United States of America which are backed by the full faith and credit of the United States;
- (e) noncallable prerefunded municipal bonds which are rated "Aaa" by Moody's or "AAA" by Standard and Poor's; and
- (f) non-callable interest strips of obligations issued by Resolution Funding Corporation which are backed by the full faith and credit of the United States.

**"Insurance Consultant"** means a person or firm selected by the County and qualified to survey risks and to recommend insurance coverage for airport facilities and services and organizations engaged in such operations.

**"Insured Series 2010A Bonds"** shall mean the Series 2010A Bonds as identified on the inside front cover page of the Official Statement as being insured by AGM.

**"Insurer Default"** shall mean any of the following: (a) there shall occur a default in the payment by AGM of principal of or any interest on any Insured Series 2010A Bond when required to be made by the Municipal Insurance Policy, (b) the Policy shall have been declared null and void or unenforceable in a final determination by a court of law, (c) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of AGM in any involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of AGM or for any substantial part of its property or for the winding-up or liquidation of its affairs and such proceeding shall remain undismissed or unstayed and in effect for a period of 60 consecutive days or such court shall enter a decree or order granting the relief sought in such proceeding, (d) AGM shall voluntarily suspend transaction of its business, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of AGM or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or (e) (i) the unenhanced underlying credit rating of AGM falls below investment grade or is suspended for credit-related reasons by Moody's and Standard & Poor's and remains below investment grade or is suspended for credit-related reasons for 30 days, and (ii) AGM has not responded for 20 Business Days to a request for a consent, acknowledgement or waiver made in writing by the County to AGM.

**"Interest Subaccount"** shall mean the Subaccount of such name established within the Debt Service Account with respect to a Series of Bonds.

**"Investment Securities"** shall mean (a) any one or more of the investments now or hereafter permitted by Section 6-5-10, Code of Laws of South Carolina 1976, as amended and in effect from time to time, or any authorization relating to the investment of funds hereunder; and (b) the South Carolina Pooled Investment Fund or similar State administered pool investment fund or as otherwise may be limited pursuant to a Supplemental Ordinance.

**“Maximum Aggregate Annual Debt Service”** shall mean the maximum amount of Aggregate Annual Debt Service in the then current or any future Fiscal Year with respect to all Outstanding Bonds and all Bonds then proposed to be issued.

**“Moody's”** means Moody's Investors Service, Inc., or any successor thereto.

**“Myrtle Beach International Technology and Aerospace Park”** shall mean the parcel of land comprising approximately 467 acres of land described in the Bond Ordinance and any improvements now or from time to time thereon, which do not constitute part of the Airport.

**“Net Revenues”** means (i) Revenues (ii) less Operation and Maintenance Expenses, net of Operation and Maintenance Expenses paid from Non-System Amounts.

**“Non-System Amounts”** means all amounts received by the County pursuant to the Intergovernmental Agreement executed as of the 5<sup>th</sup> day of May 2004 between the County and the City of Myrtle Beach, South Carolina, as the same may be renewed, modified, extended or amended.

**“Notes”** shall mean Bonds issued under the provisions of the Bond Ordinance which have a maturity of one year or less from their date of original issuance.

**“Operation and Maintenance Expenses”** means the County's expenses for operation, maintenance and repairs of the Airport and shall include, without limiting the generality of the foregoing, administrative expenses, insurance premiums, legal and engineering expenses, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee benefit funds, and any other expenses required to be paid by the County under the provisions of the Bond Ordinance or by law or contract, or consistent with standard practices for airports similar to the properties and business of the Airport and applicable in the circumstances, the expenses, liabilities and compensation of the Trustee required to be paid under the Bond Ordinance, all to the extent properly attributable to the Airport. Operation and Maintenance Expenses shall not include any capital cost or any allowance for depreciation or any operation or maintenance costs for Special Facilities.

**“Operation and Maintenance Expense Reserve Requirement”** shall mean, for a Fiscal Year, an amount equal to one-half of the budgeted Operation and Maintenance Expenses, excluding expenses associated with the purchase of aviation fuel for resale, as set forth in the Annual Budget for such Fiscal Year.

**“Operation and Maintenance Fund”** shall mean the fund of that name created pursuant to the Bond Ordinance.

**“Operation and Maintenance Reserve Account”** shall mean the account of such name created pursuant to the Bond Ordinance.

**“Other Available Funds”** means for any Fiscal Year the amount, as set forth in a certificate of an Authorized Officer of the County submitted to the Trustee, to be retained in the Revenue Fund during the applicable Fiscal Year after the transfer to the Depreciation and Contingent Fund from the Revenue Fund pursuant to the Bond Ordinance.

**“Outstanding”** or **“outstanding.”** when used with reference to Bonds, means as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered under the Ordinance except (a) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation on or before said date, (b) any Bond

(or portion of Bonds) for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the Bond Ordinance or provisions satisfactory to the Trustee shall have been made for the giving of such notice, (c) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Bond Ordinance and (d) any Bond deemed to have been paid as provided in the Bond Ordinance.

**“PFC Act”** means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, Sections 9110 and 9111, as amended from time to time.

**“PFC Approvals”** means the Records of Decision of the FAA, made pursuant to the PFC Act and the PFC Regulations, relating to passenger facility charges imposed by the County, as the same may be issued and amended from time to time.

**“PFC Bonds”** means the ratable principal amount of any Bonds designated as PFC Bonds by the County at the time of issuance and delivery thereof or from time to time thereafter the proceeds from the sale of which are used to fund PFC Projects (following PFC Approval thereof), fund the ratable portion of the Debt Service Reserve Requirement with respect thereto, and pay the ratable portion of the costs of issuance thereof or to refund Bonds meeting such requirements.

**“PFC Projects”** means those projects for which the imposition and use of PFCs have been approved by one or more PFC Approvals.

**“PFC Regulations”** means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

**“PFC Revenue Bond Fund”** shall mean the Fund of that name established pursuant to the Bond Ordinance.

**“PFC Revenues”** means all revenues received by the County from PFCs imposed by the County at the Airport pursuant to the PFC Act, the PFC Regulations and the PFC Approvals.

**“PFCs” or “Passenger Facility Charges”** means the passenger facility charges authorized to be charged by the County pursuant to the PFC Act and the PFC Regulations, the imposition and use of which has been approved by the FAA pursuant to PFC Approvals.

**“Policy”** means the insurance policy issued by AGM guaranteeing the scheduled payments of principal of and interest on the Insured Series 2010A Bonds.

**“Principal Installment”** means, as of the date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the principal amount of Bonds of such Series not constituting Term Bonds due on a certain date.

**“Principal Subaccount”** shall mean the Subaccount of such name established within the Debt Service Account with respect to a Series of Bonds.

**“Project”** means the Series 2010A Project, the Series 2010B Project and the acquisition and construction of any aviation facilities for the Airport or any additions, extensions, improvements and

betterments to and reconstructions of the Airport to be financed, in whole or in part, from the proceeds of Bonds.

**“Record Date”** shall mean, with respect to the Series 2010 Bonds, the fifteenth day of the calendar month prior to each interest payment date therefor.

**“Redemption Price”** means, with respect to any Bond, the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Bond Ordinance.

**“Redemption Subaccount”** shall mean the Subaccount of such name established within the Debt Service Account with respect to a Series of Bonds.

**“Refunding Bonds”** means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to the Bond Ordinance to refund other Bonds.

**“Reserve Fund Surety Policy”** shall mean an insurance policy, a surety bond or a letter of credit, deposited with the Trustee for the credit of any Debt Service Reserve Account in lieu of or partial substitution for cash or securities on deposit therein. Except as otherwise provided in a Supplemental Ordinance, the entity providing such Reserve Fund Surety Policy shall be rated, at the time such instrument is provided, in one of the two highest long-term rating categories (determined without regard to any numerical modifier, plus or minus sign or other modifier) by either Moody’s or Standard & Poor’s.

**“Revenue Fund”** means the Fund of such name established pursuant to the Bond Ordinance.

**“Revenues”** means all income or earnings, received by the County or accrued to the County from the ownership, use or operation of the Airport, and all parts thereof, including, but not limited to (i) all rentals, charges, landing fees, use charges and concession revenue derived by the County from the operation of the Airport, and (ii) interest received on any moneys or securities held pursuant to the Bond Ordinance and paid or required to be paid into the Revenue Fund, all as calculated in accordance with generally accepted accounting principles. Notwithstanding the foregoing, “Revenues” shall not include (a) proceeds from the sale or other disposition of the Airport or any part thereof, (b) condemnation awards or proceeds of insurance received with respect to the Airport (except with respect to the proceeds of business interruption insurance), (c) any gifts, grants, reimbursements or payments received by the County for the benefit of the Airport which are restricted in application to a special purpose, (d) any investment earnings required to be rebated to the Federal government pursuant to the applicable provisions of the Code, (e) Customer Facility Charges, (f) Federal Direct Payments, and (g) revenues (including ground rent) derived from or in connection with any Special Facilities. Notwithstanding generally accepted accounting principles, for purposes of the test for the issuance of parity Additional Bonds and the rate covenant under the Bond Ordinance, “Revenues” shall include (i) investment earnings on amounts on deposit in the Bond Fund, the PFC Revenue Bond Fund, the Debt Service Reserve Fund, the Operation and Maintenance Fund and the Depreciation and Contingent Fund, and (ii) any Available PFC Revenues to the extent and for so long as such Available PFC Revenues are pledged by Supplemental Ordinance to the payment of PFC Bonds. In addition, for purposes of the rate covenant under the Bond Ordinance, “Revenues” shall include Other Available Funds; provided, however that the amount of any Other Available Moneys taken into account for purposes of the rate covenant of the Bond Ordinance shall not exceed 25% of the Annual Debt Service on the Outstanding Bonds in any Fiscal Year.

**“Series”** means all Bonds, including Additional Bonds, authenticated and delivered on original issuance in a simultaneous transaction or in separate transactions and designated as a single series, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

**“Series 2010A Project”** shall mean (i) the approximately 240,000 square foot expansion to and the refurbishing of the existing passenger terminal at the Airport, including fixtures, furnishings and equipment therefor and related improvements, and (ii) such other improvements as the County may determine, subject to the receipt of a Counsel’s Opinion of nationally recognized bond counsel to the effect that the financing of such other improvements (a) will not adversely affect the exclusion of interest on the Series 2010A Bonds from gross income for federal income tax purposes and (b) is permitted under the Bond Ordinance and the Act.

**“Series 2010B Project”** shall mean (i) the construction of a new roadway through the Airport connecting highways U.S. 17 By-Pass and U.S. 17 Business, and related improvements, and (ii) such other improvements as the County may determine, subject to the receipt of a Counsel’s Opinion of nationally recognized bond counsel to the effect that the financing of such other improvements (a) will not adversely affect the status of the Series 2010B Bonds as “recovery zone economic development bonds” for federal income tax purposes, and (b) is permitted under the Bond Ordinance and the Act.

**“Sinking Fund Installment”** means with respect to Term Bonds an amount so designated which is established pursuant to the Bond Ordinance.

**“Special Facilities”** means capital improvements or facilities located on any property included under the definition of “Airport” financed with special facilities indebtedness as described under “AUTHORIZATION AND ISSUANCE OF BONDS-Special Facilities Indebtedness.”

**“Standard & Poor’s”** means Standard & Poor's Credit Market Services, a Division of The McGraw-Hill Companies, Inc., or any successor thereto.

**“Subordinated Indebtedness”** means any evidence of indebtedness described under the caption “AUTHORIZATION AND ISSUANCE OF BONDS-Subordinated Indebtedness.”

**“Supplemental Ordinance”** means any ordinance enacted by the County Council amending or supplementing the Bond Ordinance and enacted and becoming effective in accordance with its terms.

**“Term Bonds”** means the Bonds of a Series, all of which shall be stated to mature on one date and subject to mandatory sinking fund redemption as may be provided for in the Supplemental Ordinance authorizing their issuance.

**“Trustee”** means the bank, depository or trust company duly qualified and doing business within the State of South Carolina appointed pursuant to the terms of the Bond Ordinance, and its successors and any other corporation which may at any time be substituted in its place pursuant to the Bond Ordinance.

**“Valuation Date,”** with respect to any Capital Appreciation Bond, shall have the meaning ascribed to such term in the Supplemental Ordinance authorizing the issuance of such Capital Appreciation Bond.

## **AUTHORIZATION AND ISSUANCE OF BONDS**

**Authorization of Bonds.** The Bond Ordinance creates Bonds of the County to be designated as “Airport Revenue Bonds” which may be issued in one or more Series. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered pursuant to the Bond Ordinance is not limited except as is or may be provided in the Bond Ordinance or as limited by law. The Bonds may, if and when authorized by the County pursuant to the Bond Ordinance and one or more Supplemental Ordinances, be issued in one or more Series.

Tests for Issuance of Additional Bonds. (a) Subject to the provisions of the Bond Ordinance, as a condition to the issuance of any Series of Additional Bonds, there shall first be delivered to the Trustee either:

(i) A certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), of an Authorized Officer of the County showing the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds were then Outstanding; or

(ii) A certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), of a Consultant showing that:

A. the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of the sum of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds (not including the proposed Series of Bonds) for such Fiscal Year or other applicable period; and

B. for each Fiscal Year in the period of the first five full Fiscal Years following the issuance of such Series of Bonds, or the first three full Fiscal Years during which no interest on such Series of Bonds is expected to be paid from the proceeds of such Series of Bonds, whichever period ends later, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Bonds and the proposed Series of Bonds (calculated as if the proposed Series of Bonds were then Outstanding).

For purposes of paragraph (ii)(B) above, in estimating Net Revenues, the Consultant may take into account (1) Revenues from Projects or Airport facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the County and will be in effect during the period for which the estimates are provided, (3) Available PFC Revenues determined pursuant to subparagraph (c) of this paragraph, and (4) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses, the Consultant shall use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Operation and Maintenance Expenses and Non-System Amounts, (ii) Operation and Maintenance Expenses associated with the Projects and any other new Airport facilities, and (iii) such other factors, including inflation and changing operations or policies of the County, as the Consultant believes to be appropriate. The Consultant shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants or the Authorized Officer of the County may rely upon financial statements prepared by the County which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Officer of the County shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

(b) Neither of the certificates described under paragraph (a)(i) or (ii) above shall be required:

(iii) in the case of Refunding Bonds, there is delivered to the Trustee, instead, a certificate of the Authorized Officer of the County showing that Aggregate Annual Debt Service for each Fiscal Year after the issuance of such Refunding Bonds will not exceed the Aggregate Annual Debt Service for each Fiscal Year prior to the issuance of such Refunding Bonds;

(iv) if the Bonds being issued constitute Notes and there is delivered to the Trustee, instead, a certificate prepared by an Authorized Officer of the County showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 months immediately preceding the issuance of the proposed Notes and there is delivered to the Trustee a certificate of an Authorized Officer of the County setting forth calculations showing that for each of the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the County will meet the coverage requirements of either (a)(i) or (ii) of paragraphs (a) and (b) under this subheading; or

(v) if the Bonds being issued are to pay costs of completing the Project for which Bonds have previously been issued and the principal amount of such Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Bonds originally issued for the Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Officer of the County and there is delivered to the Trustee (1) a Consultant's certificate stating that the nature and purpose of the Project has not materially changed and (2) a certificate of an Authorized Officer of the County to the effect that (x) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Project) of the original Bonds issued to finance such Project have been or will be used to pay Costs of the Project and (y) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Construction Fund account established for the Project (including unspent proceeds of Bonds previously issued for such purpose) and (z) the proceeds to be received from the issuance of such Bonds plus moneys available in the Construction Fund account established for the Project (including unspent proceeds of the Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Project.

(c) If Available PFC Revenues are included in determining compliance with the requirements of this section, the following rules will apply:

(i) The Consultant may assume (A) that the rate of the levy of Passenger Facility Charges constituting a part of the PFC Revenues in effect on the date of issuance of the applicable PFC Bonds will be in effect for the entire forecast period, and (B) a higher rate to the extent legislation has been enacted to permit an increase in Passenger Facility Charges if the County has taken all action required to impose and use such increased charges at the Airport pursuant to such legislation prior to the date of the Consultant's report;

(ii) The Consultant, in making its forecast shall assume that the percentage of enplaned passengers subject to Passenger Facility Charges during the forecast period will not exceed the average percentage during the three Fiscal Years immediately preceding the year the report of the Consultant is issued (or such shorter period for which Passenger Facility Charges have been collected);

(iii) Available PFC Revenues may be taken into account in an amount not greater than the lowest amount of Available PFC Revenues the County estimates, based on its then existing PFC Approvals, were or will be available during the applicable period; and

(iv) The amount of Available PFC Revenues included in determining compliance with the requirements of this section above shall be limited to Available PFC Revenues in an amount not to exceed 125% of the Annual Debt Service in any Fiscal Year in the applicable period on the Outstanding PFC Bonds, and the PFC Bonds, if any, then proposed to be issued, or such lesser amount as may be required under the PFC Act, PFC Regulations and PFC Approvals as in effect from time to time.

Subordinated Indebtedness. Nothing contained in the Bond Ordinance shall prohibit or prevent, or be deemed, or construed, to prohibit or prevent, the County from issuing bonds, notes, certificates, warrants or other evidences of indebtedness payable as to principal and interest from the Revenues or Available PFC Revenues, subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Accounts and Debt Service Reserve Accounts, or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Revenues or Available PFC Revenues, junior, subordinate and inferior to the lien and pledge on the Revenues or Available PFC Revenues set forth in the Bond Ordinance or by Supplemental Ordinance created for the payment and security of the Bonds.

Special Facilities Indebtedness. In order to secure the payment of principal of and interest on indebtedness incurred to finance Special Facilities authorized pursuant to the Bond Ordinance for so long as any of the principal of and interest on any such indebtedness shall be outstanding and unpaid or until the County has made provision for payment of principal, interest and redemption premium with respect thereto, the County will enter into certain covenants and agreements with the Holders of such indebtedness prior to each issuance of such indebtedness. All revenues from Special Facilities shall be deposited in a separate fund. Amounts on deposit in such separate fund shall be used as determined by subsequent ordinance of the County adopted at or prior to the issuance of the indebtedness relating to such Special Facilities.

**PLEDGE EFFECTED BY ORDINANCE;  
ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF**

The Pledge Effected by Ordinance. Pursuant to the Bond Ordinance, there is irrevocably pledged for the payment of the principal and Redemption Price of, if any, and interest on, the Bonds in accordance with their terms and the provisions of the Bond Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Ordinance, such Revenues as shall remain after the payment of Operation and Maintenance Expenses; provided, however, that Available PFC Revenues shall be pledged only to the payment of PFC Bonds.

Such Revenues as shall remain after the payment of Operation and Maintenance Expenses shall immediately be subject to the lien of this pledge as set forth in the Bond Ordinance without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the County irrespective of whether such parties have notice thereof.

There is further irrevocably pledged for the payment of Operation and Maintenance Expenses, the Non-System Amounts, which Non-System Amounts shall be deposited and applied as provided in the Bond Ordinance.

Statutory Lien. In accordance with the provisions of the Act, there is created by the Bond Ordinance, in favor of the Bondholders of any Bonds issued pursuant to the provisions of the Bond Ordinance, a statutory lien upon the Airport. The Airport shall remain subject to such statutory lien until the principal of and interest on all Bonds issued pursuant to the provisions of the Bond Ordinance have been paid in full. Any Holder of Bonds may, either at law or in equity, by suit, action, mandamus or other proceedings, protect and enforce such statutory lien and may by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties of the officials of the County, including the fixing of sufficient rates, the collection of Revenues, the proper segregation of Revenues of the Airport and the proper allocation thereof. The statutory lien shall not be construed to give any Holder of any Bond the authority to compel the sale of the Airport.

Establishment of Funds and Accounts. The following Funds, Accounts and Subaccounts are established pursuant to the Bond Ordinance and, to the extent permitted by law, held by the following entities and each of the funds and accounts shall be impressed with a trust for the benefit of the Bondholders:

- (a) Construction Fund, to be held by the Trustee, and within such Fund a Construction Period Interest Account, if any, to the extent required for a Series of Bonds;
- (b) Revenue Fund, to be held by the County;
- (c) Operation and Maintenance Fund, to be held by the County, including an Operation and Maintenance Reserve Account;
- (d) Bond Fund, to be held by the Trustee and therein a Debt Service Account containing a Principal Subaccount, Interest Subaccount and Redemption Subaccount for each Series of Bonds;
- (e) Debt Service Reserve Fund, to be held by the Trustee, and within such Fund one or more Debt Service Reserve Accounts as may be required pursuant to the Bond Ordinance;
- (f) Depreciation and Contingent Fund, to be held by the County, including a Depreciation and Contingent Fund Reserve Account;
- (g) PFC Revenue Bond Fund, to be held by the County; and
- (h) Such other Funds, Accounts and Subaccounts as the County shall determine are in the interest of the Airport.

Revenue Fund. All Revenues (but not including Available PFC Revenues and investment earnings on any amount on deposit in any Fund, Account or Subaccount created pursuant to the Bond Ordinance unless otherwise provided pursuant to the Bond Ordinance) shall be deposited with the County in the Revenue Fund all amounts in the Revenue Fund shall be deemed to be held in trust for the purposes provided in the Bond Ordinance and used only for the purposes and in the manner therein provided.

Application of Revenues. Amounts on deposit in the Revenue Fund shall be used not later than the twenty-fifth day of each month commencing in the month immediately following the delivery of the Series 2010 Bonds only in the following manner and in the following order of priority:

- (a) The County shall deposit first from Non-System Amounts, and second from moneys remaining in the Revenue Fund, into the Operation and Maintenance Fund, (i) an amount equal to one-twelfth (or such greater fraction if the period is less than 12 months as may be appropriate) of the money

appropriated for Operation and Maintenance Expenses for the then current Fiscal Year as set forth in the then current Annual Budget, and (ii) for credit to the Operation and Maintenance Reserve Account an amount equal to one-twelfth (or such greater fraction if the period is less than 12 months as may be appropriate) of the amount which is equal to the difference between the sum on deposit in said Account at the beginning of the then current Fiscal Year and the then current Operation and Maintenance Reserve Requirement.

(b) The County shall next transfer to the Trustee for deposit into the Bond Fund for credit to the following subaccounts, in the following order within the Debt Service Account established for each Series of Bonds, the following identified sums:

(i) Interest Subaccounts: Such sum as will be sufficient, taking into consideration amounts on deposit therein, to pay one-sixth or such greater fraction of all interest coming due on the Bonds of the applicable Series Outstanding on the next interest payment date; provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within an Interest Subaccount is sufficient for such purpose or to the extent that interest deposited to a Construction Period Interest Account in the Construction Fund and available for the payment of debt service on such Series of Bonds is sufficient for such purpose. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such Series.

(ii) Principal Subaccounts: Such sum as will be sufficient, taking into consideration amounts on deposit therein, to pay one-sixth (1/6th) of the principal amount of the Bonds of the applicable Series Outstanding which will mature and come due on such semi-annual maturity dates and one-twelfth (1/12th) of the principal amount of the Bonds of the applicable Series Outstanding which will mature and become due on such annual maturity dates, beginning on such dates, as shall hereafter be determined by a Supplemental Ordinance; provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within a Principal Subaccount is sufficient for such purpose. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series.

(iii) Redemption Subaccount: Such sum as will be sufficient, taking into consideration amounts on deposit therein, to pay one-sixth (1/6th) of any Sinking Fund Installment established for the mandatory redemption of Term Bonds of the applicable Series on such semi-annual maturity date and such sum as will be sufficient, taking into consideration amounts on deposit therein, to pay one-twelfth (1/12th) of any Sinking Fund Installment on the redemption dates established for the mandatory redemption of Term Bonds of the applicable Series on such annual maturity date, at such dates shall be determined by a Supplemental Ordinance; provided, however, that monthly deposits into the Redemption Subaccount, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Subaccount is sufficient for such purpose. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting Sinking Fund Installments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Sinking Fund Installments applicable to such Series. The moneys in the Redemption Subaccount shall be used solely for the purchase or redemption of Term Bonds of the applicable Series. The County may at any time purchase any Term Bonds at prices not greater than the then Redemption Price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the

County may purchase said Term Bonds at prices not greater than the Redemption Price of such Term Bonds on the next ensuing redemption date. If the County shall purchase or call for redemption in any year Term Bonds, such Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the County shall determine.

(c) The County shall next transfer, from the moneys remaining in the Revenue Fund, to the Trustee an amount, if any, required by the Bond Ordinance to be deposited into any Debt Service Reserve Account, including any amounts necessary to reinstate any Reserve Fund Surety Policy credited to such Debt Service Reserve Account.

(d) The County shall next deposit from the moneys remaining in the Revenue Fund, into the Depreciation and Contingent Fund, (i) an amount equal to one-twelfth (or such greater fraction if the period is less than 12 months as may be appropriate) of the money determined by the County to be a sum sufficient to build up a reserve for depreciation of the Airport and to be sufficient to build up a reserve for improvements, betterments, and extensions to the Airport, as set forth in the then current Annual Budget, and (ii) for credit to the Depreciation and Contingent Fund Reserve Account an amount which is equal to the difference between the sum on deposit in said account and the then current Depreciation and Contingent Fund Reserve Amount.

(e) Amounts in the Revenue Fund, excluding Other Available Funds, not required to make the payments required by subsections (a), (b), (c) and (d) above, or to meet any deficiency in any Funds, Accounts or Subaccounts established pursuant to the Bond Ordinance, may, at the discretion of the County, if the County shall have fully complied with all the covenants and provisions of the Bond Ordinance, be applied to the purchase or redemption of any Bonds and payment of expenses in connection with the purchase or redemption of any such Bonds or any corporate purpose of the County in connection with the Airport or any other airport owned and operated by the County.

Whenever the County shall give written instructions to the Trustee to purchase or redeem Bonds from moneys in the Revenue Fund, the County shall transfer such moneys to the Trustee for deposit to the Redemption Subaccount for the particular Series of Bonds, and make such purchase or redemption in accordance with the provisions of the Bond Ordinance.

Operation and Maintenance Fund. Amounts in the Operation and Maintenance Fund shall be paid out from time to time by the County for reasonable and necessary Operation and Maintenance Expenses. Moneys to the credit of the Operation and Maintenance Reserve Account shall be paid out from time to time by the County for reasonable and necessary Operation and Maintenance Expenses to the extent that other funds are not available within the Operation and Maintenance Fund for such purposes.

Bond Fund; Debt Service Accounts. (a) The Trustee shall pay out of each Debt Service Account (1) from each Interest Subaccount on each interest payment date for the applicable Series of Bonds, the amount required for the interest payable on such date; (2) from the Principal Subaccount for the applicable Series of Bonds on each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (3) from the Redemption Subaccount for the applicable Series of Bonds on any sinking fund redemption date for such Series of Bonds, the amount required for the Sinking Fund Installment payable on such redemption date.

(b) Amounts accumulated in a Redemption Subaccount may, and if so directed by the County shall, be applied by the Trustee to (1) the purchase of Bonds of the Series and maturity for which such Redemption Subaccount was established, or (2) the redemption at the applicable Redemption Prices,

pursuant to the Bond Ordinance, of such Bonds, if then redeemable by their terms. The Trustee shall pay out of the Redemption Subaccount on or before the day preceding such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied to such redemption (or payment). After the 60th day but on or prior to the 40th day preceding the due date of a Sinking Fund Installment, any amounts then on deposit in the Redemption Subaccount (exclusive of amounts, if any set aside in said Subaccount which were deposited therein from the proceeds of Additional Bonds) may, and if so directed by the County shall, be applied by the Trustee to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. All purchases of any Bonds pursuant to this paragraph shall be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the County shall determine. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment.

Debt Service Reserve Fund and Accounts Therein.

(a) (i) Except as otherwise provided in the Bond Ordinance, each Supplemental Ordinance providing for the issuance of Bonds shall require as a condition of issuance that an amount be deposited in a Debt Service Reserve Account within the Debt Service Reserve Fund so that, together with any Reserve Fund Surety Policy provided pursuant to paragraph (b) below, the amount on deposit in the Debt Service Reserve Account will be equal to the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account. Any cash to be deposited in a Debt Service Reserve Account may be derived from proceeds of Bonds or any other legally available source of funds. In the event that federal tax law in the opinion of nationally recognized bond counsel would prohibit the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account or any portion thereof from being paid from the proceeds of any issue of Bonds, the County shall be permitted to pay the portion of the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account not permitted to be paid from Bond proceeds from amounts available for such purpose under the Bond Ordinance, to the extent permissible under federal tax laws, in equal monthly installments within 60 months from the date of issuance of said Series of Bonds.

(ii) Moneys held in a Debt Service Reserve Account shall be used for the purpose of paying principal of and interest on the Bonds participating in the Debt Service Reserve Account on a basis *pari passu* with all Bonds then participating in the Debt Service Reserve Account. If, on any payment date, the amounts in the Interest Subaccounts, Principal Subaccounts and Redemption Subaccounts for any Bonds participating in the Debt Service Reserve Account available therefor are insufficient to pay in full the amount then due on such Bonds, moneys held in the Debt Service Reserve Account shall be used for the payment of principal of and interest thereon. If amounts in a Debt Service Reserve Account consist of both cash and one or more Reserve Fund Surety Policies, the Trustee shall make any required payments of amounts in the Debt Service Reserve Account first from any cash held invested in the Debt Service Reserve Account, prior to making a draw upon any of such Reserve Fund Surety Policies.

(iii) Subject to the provisions of paragraph (a)(i) above, the Trustee shall annually, prior to June 30 of each year and at such other times as the County shall request, value each Debt Service Reserve Account on the basis of the lower of cost and market value thereof and on the basis of the cost thereof, adjusted for any amortization of premium or discount on the investment thereof. For purposes of determining the amount on deposit in a Debt Service Reserve Account, any Reserve Fund Surety Policy held by, or the benefit of which is available to, the Trustee as security for the Bonds participating in the Debt Service Reserve Account shall be deemed to be a deposit in the face amount of the Reserve Fund Surety Policy or the stated amount of the Reserve Fund Surety Policy provided, except that, if the amount available under a Reserve Fund Surety Policy has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of such Reserve Fund Surety Policy and not reinstated or another Reserve Fund Surety Policy provided, then, in valuing the Debt Service Reserve Account, the value of such Reserve Fund Surety Policy shall be reduced accordingly. If, upon any valuation of the Debt Service Reserve Account at the lower of cost or market value, the value of the Debt Service Reserve Account exceeds the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account, the excess amount may be withdrawn and paid to the County to be used for any lawful purpose; provided that, if such amounts are used for a purpose other than payment of the Bonds participating in the Debt Service Reserve Account, there shall be delivered to the Trustee with the request for such funds a Counsel's Opinion from nationally recognized bond counsel that the use of such amounts shall not result in the inclusion of interest on any Bonds in gross income of the recipient thereof for federal income tax purposes. If, upon any valuation of the Debt Service Reserve Account at cost, the value is less than the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Senior Reserve Account, the County shall replenish such amounts within 12 months after the date of such valuation, but only from amounts available for such purposes pursuant to the Bond Ordinance.

(b) A Reserve Fund Surety Policy shall be acceptable in lieu of a deposit of cash or securities into the Debt Service Reserve Account, or may be substituted for amounts on deposit in the Debt Service Reserve Account, only if at the time of such deposit (i) such Reserve Fund Surety Policy extends to the maturity of the Series of Bonds of the longest maturity then Outstanding and participating in the Debt Service Reserve Account, or the County has agreed, by Supplemental Ordinance, that the County will replace such Reserve Fund Surety Policy prior to its expiration with another Reserve Fund Surety Policy which shall have no adverse effect on the ratings, if any, then in effect on the Bonds participating in the Debt Service Reserve Account, or with cash and (ii) the face amount of the Reserve Fund Surety Policy, together with amounts on deposit in the Debt Service Reserve Account, including the face amount of any other Reserve Fund Surety Policy, is at least equal to the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account.

(c) If moneys have been withdrawn from the Debt Service Reserve Account or a payment has been made under a Reserve Fund Surety Policy constituting all or a portion of the Debt Service Reserve Account, and deposited into the applicable subaccounts of the Bond Fund to prevent a default on the Bonds participating in the Debt Service Reserve Account, then the County will pay to the Trustee but only from amounts available for such purpose under the Bond Ordinance, the full amount so withdrawn, together with interest, if any, required under the terms of the Reserve Fund Surety Policy, or so much as shall be required to restore the Debt Service Reserve Account to the Debt Service Reserve Requirement with respect to the Bonds participating in the Debt Service Reserve Account and to pay such interest, if any. Such repayment shall be made in 12 substantially equal monthly installments each due on or prior to the first Business Day of the month commencing with the first month after such withdrawal occurs. If such repayment is with respect to a draw under a Reserve Fund Surety Policy, the Trustee shall pay to the

provider of such Reserve Fund Surety Policy the amount received by the Trustee from the County which is designated to be used to reimburse the provider of such Reserve Fund Surety Policy. The Trustee shall promptly notify the paying agent for the Reserve Fund Surety Policy, if any, of such reimbursement, and the amount available to be drawn under the Reserve Fund Surety Policy shall increase by the amount of such reimbursement.

(d) If entity providing the Reserve Fund Surety Policy shall cease to be rated in one of the two highest rating categories (without regard to any numerical modifier, plus or minus sign or other modifier) by both Moody's and Standard & Poor's, then the County shall replace such Reserve Fund Surety Policy with a Reserve Fund Surety Policy meeting the applicable requirements of the Bond Ordinance within a period of six months of the date the entity providing the Reserve Fund Surety Policy ceases to have the required rating, or fund, but only from amounts available for such purpose pursuant to the Bond Ordinance, in 36 equal monthly installments, the amounts necessary to restore the amount credited to the Debt Service Reserve Account to the Debt Service Reserve Requirement.

(e) Whenever the amount of cash in a Debt Service Reserve Account, together with the amount in the applicable Interest Subaccounts, Principal Subaccounts and Redemption Subaccounts, is sufficient to fully pay all Outstanding Bonds of the Series of Bonds participating in such Account, in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the applicable Subaccounts of the Debt Service Accounts. Prior to said transfer, all investments held in the Debt Service Reserve Account shall be liquidated to the extent deemed necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on the Bonds of the applicable Series Outstanding.

Depreciation and Contingent Fund. Money in the Depreciation and Contingent Fund may be applied by the County for the purpose of restoring or replacing depreciated or obsolete properties of the Airport, to maintain the Airport in good repair and working order, and to pay costs of improvements, betterments and extensions to the Airport, including but not limited to (1) purchasing items of equipment and other capital items for use in connection with the Airport; (2) the acquisition of land or easements for the expansion or improvement of the Airport; (3) the purchase of machinery, equipment, rolling stock or other capital items for use in connection with the operation of the Airport; (4) the planning, engineering, design and construction of new facilities for the expansion and improvement of the Airport; and (5) any maintenance of facilities of the Airport. Moneys to the credit of the Depreciation and Contingent Fund Reserve Account shall be paid out from time to time by the County for the foregoing purposes to the extent that other funds are not available within the Depreciation and Contingent Fund for such purposes.

PFC Revenue Bond Fund. The County shall deposit all Available PFC Revenues and any Federal Direct Payments received as credits against interest on PFC Bonds, to the extent such interest was paid from amounts deposited to the PFC Revenue Bond Fund, into the PFC Revenue Bond Fund for application, and in the case of the deposits set forth in (a), (b) and (c) below, prior to the transfer of amounts from the Revenue Fund for such purpose, in the following order of priority:

(a) Monthly to the Interest Subaccounts for PFC Bonds until the amounts on deposit therein are equal to the interest to come due on the next interest payment date for such PFC Bonds;

(b) Monthly commencing on such dates as shall be provided in the Supplemental Ordinance providing for the issuance of the PFC Bonds to the Principal Subaccounts and the Redemption Subaccounts for PFC Bonds until the amounts on deposit therein are equal to the Principal Installments and Sinking Fund Installments coming due on the next annual or semiannual maturity date for such PFC Bonds;

(c) Monthly to the Debt Service Reserve Accounts for PFC Bonds the amounts necessary to maintain the amount on deposit therein at the applicable Debt Service Reserve Requirements to the extent amounts have been withdrawn to pay debt service on the PFC Bonds or to reinstate any Reserve Fund Surety Policy which has been drawn on for such purpose;

(d) To the extent in any Fiscal Year Available PFC Revenues on deposit in the PFC Revenue Bond Fund exceed the requirements set forth in (a), (b) and (c) above, as may be directed by an Authorized Officer of the County, to any other fund or account established by the County under the Bond Ordinance or any other lawful purpose, in each case consistent with and subject to the applicable federal law relating to Passenger Facility Charges.

Investment earnings on amounts on deposit in the PFC Revenue Bond Fund which are deposited to the PFC Revenue Bond Fund shall be applied in the same manner as all other Available PFC Revenues. To the extent that Revenues are credited to any Fund, Account or Subaccount to provide for payment of the PFC Bonds and Available PFC Revenues subsequently become available prior to the expenditure of such Revenues, such Available PFC Revenues shall be deposited to the Revenue Fund.

Surplus Moneys in the Funds and Accounts. (a) If any surplus shall be accumulated in the Operation and Maintenance Fund which shall be equal to the cost of operating and maintaining the Airport during the remainder of the Fiscal Year and the cost of operating and maintaining the Airport during the succeeding Fiscal Year, such surplus may be transferred at any time to the Revenue Fund; provided, however, that any such surplus resulting from the deposit of Non-System Amounts shall be paid to the County.

(b) If any surplus shall be accumulated in the Depreciation and Contingent Fund over and above that which the County shall find may be necessary therein during the then current Fiscal Year, and the next ensuing Fiscal Year, such excess may be transferred to the Revenue Fund.

### **INVESTMENT OF CERTAIN FUNDS**

Moneys held in the applicable Debt Service Accounts may be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Accounts, and moneys held in the applicable Debt Service Reserve Accounts may be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than ten years (unless such securities shall be redeemable at the option of the holder thereof, in Invested Securities may mature at a date no later than the final maturity date of the Bonds) from the date of enactment. The Trustee shall make such investments in accordance with any written instructions received from an Authorized Officer of the County. The Trustee may make any and all such investments through its own investment department or the investment department of any bank or trust company under common control with the Trustee and may charge its ordinary and customary fees for such trades, including cash sweep account fees. Moneys in the Construction Fund may be invested by the Trustee in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to provide payments from such Fund. The Trustee shall make the foregoing investments in accordance with written instructions received from an Authorized Officer of the County.

Moneys in the Revenue Fund, Operation and Maintenance Fund, Depreciation and Contingent Fund and PFC Revenue Bond Fund may be invested by the County in Investment Securities which mature at such times as shall be necessary to provide moneys when needed for payment from such Funds.

Interest earned on any moneys or investments in the applicable Debt Service Accounts and applicable Debt Service Reserve Accounts established pursuant to the Bond Ordinance or Supplemental Ordinance shall, (1) prior to the date of completion of construction of the applicable Project, be paid into the Construction Fund, and (2) after the date of completion of construction of the Project credited to the respective Account, or at the written direction of an Authorized Officer of the County, be credited to the Revenue Fund.

Interest earned on any moneys or investments in a separate account in the Construction Fund shall be held in such account for the purposes thereof.

Earnings on any moneys or investments in the Revenue Fund, Operation and Maintenance Fund, Depreciation and Contingent Fund and PFC Revenue Bond Fund shall be credited to such Funds, respectively, or at the written direction of an Authorized Officer of the County, be credited to the Revenue Fund.

### **CERTAIN COVENANTS OF THE COUNTY**

Fiscal Year Basis; Payment of Principal, Premium, if any, and Interest. The County will operate the Airport on a Fiscal Year basis and will promptly pay or cause to be paid, but solely from the Revenues and other moneys lawfully pledged for such purpose, the principal of, interest and premium, if any, on all Bonds issued hereunder according to the terms of the Bond Ordinance.

Sale, Lease or Encumbrance of Property. (a) Except as provided in subsections (b), (c) or (d) of this paragraph or in the ordinary course of business, no part of the Airport shall be sold, leased or otherwise disposed of or encumbered. In no event may the Airport be transferred as a whole to any person.

(b) The County may in any Fiscal Year sell or dispose of for fair and reasonable value, at any time and from time to time, any property constituting part of the Airport provided the net book value of the property together with the net book value of any other property constituting part of the Airport sold or disposed of in such Fiscal Year in reliance upon this subsection (b), is not greater than two percent of the net book value of all property constituting part of the Airport.

(c) The County may sell for fair and reasonable value, at any time and from time to time any property constituting part of the Airport which the County determines by resolution not necessary, useful or profitable, in the operation thereof; provided (i) the property being disposed of is (A) inadequate, obsolete or worn out; or (B) no longer desirable in the conduct of the business of the Airport, or (ii) the County receives fair and reasonable value for the property and prior to the disposition of such property, there is delivered to the Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the County as evidenced by a certificate of an Authorized Officer of the County, the Consultant estimates that the County will be in compliance with the Bond Ordinance thereof during each of the first three Fiscal Years immediately following such disposition.

(d) The County may lease or make contracts or grant licenses for the operation of, or grant easements, encumbrances or other rights, with respect to any part of the Airport constituting less than all or substantially all of the Airport; provided, however, that prior to the making or the entering into of such lease, contract, license, easement or other right, as to matters in the ordinary course of business the Airport Director, and as to matters not in the ordinary course of business the County by resolution of the County Council, shall make a finding that, in his or its judgment, such lease, contract, license, easement, encumbrance or right will not materially restrict the County's ability to realize Net Revenues in compliance with the requirements of the Bond Ordinance.

(e) Proceeds from the sale or disposition of property not used to replace such property and any such payments with respect to a lease, contract, license, easement or right not otherwise required to be applied in accordance with the Bond Ordinance shall be applied in the same manner and to the same purposes as, but shall not be considered, Revenues.

Operation, Maintenance and Reconstruction. (a) Subject to the sale, disposition or encumbrance of property as permitted under the Bond Ordinance, the County shall at all times operate, or cause to be operated, the Airport properly and in a sound, efficient and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all ordinary, necessary and proper repairs, replacements and renewals so that at all times the operation of the Airport may be properly and advantageously conducted, and, if any useful part of the Airport is damaged or destroyed, the County shall, as expeditiously as may be possible, commence and diligently prosecute the ordinary replacement or reconstruction of such part so as to restore the same to use; provided, however, that nothing in the Bond Ordinance shall require the County to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the Airport (1) from sources other than the Revenues, or (2) if there shall have been filed with the Trustee a certificate executed by an Authorized Officer of the County stating that in the opinion of the County abandonment of operation of such part is economically justified and is not prejudicial to the interests of the Holders of the Bonds.

(b) To the extent permitted by law and deemed necessary by the County for the efficient or economical operation of the Airport, it shall maintain, preserve, and renew all the franchises, rights, powers and privileges acquired, owned or held by it.

(c) The County shall establish and enforce reasonable rules and regulations governing the operation, use and services of the Airport.

Rate Covenant. The County covenants to fulfill the following requirements:

(a) The County shall while any of the Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the County as of the date of execution of the Bond Ordinance setting forth restrictions relating thereto), establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the Annual Debt Service on any Outstanding Bonds required to be funded by the County in such Fiscal Year;

(ii) the required deposits to any Debt Service Reserve Account which shall have been established;

(iii) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Bonds, including Subordinated Indebtedness; and

(iv) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, including Subordinated Indebtedness.

(b) The County will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport and for services rendered in connection therewith, so that during each Fiscal Year (i) the Net Revenues will be equal to at least 125% of Annual Debt Service on the Outstanding Bonds in such Fiscal Year and (ii) Net Revenues, excluding Other Available Funds and Available PFC Revenues, will be equal to at least 100% of the Annual Debt Service on the Outstanding Bonds, excluding Annual Debt Service on Outstanding PFC Bonds, in such Fiscal Year.

(c) If Net Revenues in any Fiscal Year are less than the amount specified in paragraph (a) or (b) of this section, the County will, within 30 days of the County's receipt of the audited financial statements of the Airport for the Fiscal Year, retain and direct a Consultant to make, within a period of 60 days from retention, recommendations as to the revision of the operations of the Airport and its schedule of rentals, rates, tolls, fees and charges for the use of the Airport and for services rendered by the County in connection with the Airport, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the County shall take all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as may be necessary to produce Net Revenues in the amount specified in paragraph (a) or (b) of this section in the next succeeding Fiscal Year.

In the event that Net Revenues for any Fiscal Year are less than the amount specified in paragraph (a) or (b) of this section, but the County promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as required by this paragraph (c), such deficiency in Net Revenues shall not constitute an Event of Default. Nevertheless, if after taking the measures required by this paragraph (c) to revise the schedule of rentals, rates, tolls, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the County for such Fiscal Year) are less than the amount specified in paragraph (a) of this section, such deficiency in Net Revenues shall constitute an Event of Default.

(d) For purpose of determining compliance with the requirements of the Bond Ordinance, the County may include Available PFC Revenues in an amount not to exceed 125% of the amounts required to be deposited into Debt Service Accounts for such year on the Outstanding PFC Bonds, or such lesser amount as may be required under the PFC Act, PFC Regulations and PFC Approvals as in effect for time to time.

Consultant. The County shall employ a Consultant from time to time whenever and for the purposes contemplated by the Bond Ordinance. Such Consultant shall be an airport consultant or airport consultant firm or corporation having a wide and favorable reputation for skill and experience with respect to the operation and maintenance of airports, in recommending rental and other charges for use of airport facilities and in projecting revenues to be derived from the operation of airports.

Annual Budget. (a) Not less than five business days prior to the beginning of each Fiscal Year the County shall prepare and file with the Trustee an Annual Budget for the ensuing Fiscal Year. Such Annual Budget shall set forth in reasonable detail: (1) the estimated Revenues, Operation and Maintenance Expenses and Available PFC Revenues for the Airport for such Fiscal Year; (2) the amount of Other Available Funds and Non-System Amounts budgeted by the County for the Airport for such Fiscal Year; (3) the estimated amounts to be deposited during such Fiscal Year in each of the Funds, Accounts and Subaccounts established under the Bond Ordinance; and (4) the estimated expenditures for the replacement of capital assets or any unusual or extraordinary maintenance or repairs, for the building and constructing of permanent improvements, alterations, buildings and other structures, including runways, taxi strips and aprons, if necessary, of the Airport. The County may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year. Copies of the Annual Budget and of any amended Annual Budget shall be promptly filed with the Trustee for inspection by Bondholders.

(b) If for any reason the County shall not have adopted the Annual Budget for a Fiscal Year before the first day of such Fiscal Year, the Annual Budget for the preceding year shall, be deemed to have been adopted and be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted and a copy thereof filed with the Trustee.

Accounts and Reports. (a) The County shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which full and correct entries shall be made of all

dealings or transactions of or in relation to the properties, business and affairs of the Airport, its transactions relating to the Revenues, each Fund, Account and Subaccount established under the Bond Ordinance and which shall at all times be subject to the inspection of the Trustee, and the Holders of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(b) The Trustee shall provide the County in writing or make available electronically, on or before the fifth Business Day after the end of each month of the respective transactions during such month relating to each Fund, Account and Subaccount held by the Trustee under the Bond Ordinance. The County shall have the right upon reasonable notice and during reasonable business hours to examine the books and records of the Trustee with respect to the Funds, Accounts and Subaccounts held by the Trustee under the Bond Ordinance.

(c) The County shall annually, within 180 days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2011), cause an audit to be made of its books and accounts relating to the Airport for such Fiscal Year by an independent and recognized certified public accountant or firm of independent certified public accountants not in the regular employ of the County and shall cause to be prepared a balance sheet and an income and surplus account showing, respectively, in reasonable detail the financial condition of the Airport at the close of such Fiscal Year and the financial operation during such Fiscal Year. Promptly thereafter reports of each audit shall be filed with the Trustee.

(d) The County shall file with the Trustee (1) forthwith upon becoming aware of any Event of Default or default in the performance by the County of any covenant, agreement or condition contained in the Bond Ordinance, including without limitation, a certificate signed by an Authorized Officer of the County and specifying such Event of Default or default, and (2) within 180 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2011, a certificate signed by an Authorized Officer of the County stating that, to the best of his knowledge and belief, the County has kept, observed, performed and fulfilled each and every one of its covenants and obligations contained in the Bond Ordinance and there does not exist at the date of such certificate any default by the County under the Bond Ordinance or any Event of Default or other event which, with the lapse of time specified in the Bond Ordinance, would become an Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

(e) The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Bond Ordinance shall be available for the inspection of Bondholders at the office of the Trustee and shall be mailed to each Bondholder who shall file a written request therefor with the County. The County and the Trustee may charge each Bondholder requesting such reports, statement and other documents a reasonable fee to cover reproduction, handling and postage.

Covenants with Respect to Airports and Aviation Facilities. Nothing within the Bond Ordinance shall prohibit the County from acquiring or constructing an airport or an aviation facility and financing the same from moneys other than the proceeds of Bonds. The County hereby covenants that it will not acquire or construct any such airport or aviation facility as aforesaid unless a certificate is received from the Consultant and filed with the Trustee to the effect that such airport or aviation facility would not reasonably be expected to impair the County's ability to meet its obligations under the Bond Ordinance.

Covenants with Respect to PFC Revenues. The County covenants that so long as Available PFC Revenues are used in the calculation of the County's compliance with the Bond Ordinance it will comply with all provisions of the PFC Act and the PFC Regulations applicable to the County and all provisions of the PFC Approvals, and will not take any action or omit to take any action with respect to the PFC Revenues, the Airport or otherwise if such action or omission would, pursuant to the PFC Regulations, cause the termination of the County's ability to impose Passenger Facility Charges or prevent the use of

the Available PFC Revenues as contemplated by the Ordinance. The County covenants that all PFC Revenues will be used in compliance with all provisions of the PFC Act, the PFC Regulations and the PFC Approvals applicable to the County. Without limiting the generality of the foregoing, the County covenants that, to the extent necessary to comply with the foregoing covenants:

(a) it will diligently seek approval to impose and use PFC Revenues for any PFC Projects within the time periods set forth in the PFC Regulations and will begin implementation of such PFC Projects within the time periods set forth in the PFC Regulations;

(b) it (i) will impose a Passenger Facility Charge to the full extent approved by the FAA for the Airport and (ii) will not unilaterally decrease the level of the Passenger Facility Charge to be collected from any passenger;

(c) it will not impose any noise or access restrictions at the Airport not in compliance with the Airport Noise and Capacity Act of 1990, Pub. L 101-508, Title IX, Subtitle D, if the imposition of such restriction may result in the termination or suspension of the County's ability to impose or use Passenger Facility Charges at the Airport prior to the charge expiration date or the date the total approved Passenger Facility Charge revenue has been collected;

(d) it will take all action necessary to cause all collecting air carriers to collect and remit to the County all Passenger Facility Charges at the Airport required by the PFC Regulations to be so collected and remitted; and

(e) it will contest any attempt by the FAA to terminate or suspend the County's ability to impose, receive or use Passenger Facility Charges at the Airport prior to the charge expiration date or the date the total approved Passenger Facility Charge revenue has been collected.

#### **EVENTS OF DEFAULT AND REMEDIES**

Events of Default. If one or more of the following events occur it is defined as and declared by the Bond Ordinance to be and constitute an "Event of Default" with respect to the Bonds:

(a) if default shall be made in the due and punctual payment of the principal of or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise, or in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor when and as such interest installment or Sinking Fund Installment shall become due and payable;

(a) if default shall be made by the County in the performance or observance of the covenants, agreements and conditions on its part; provided, however, that a failure to comply with such covenants shall not constitute an Event of Default unless the County shall fail to timely engage a Consultant or fail in the succeeding Fiscal Year to comply with such covenants or to restore any deficiencies which occurred in any Fund, Account or Subaccount in the preceding Fiscal Year or otherwise in accordance with the Bond Ordinance or any Supplemental Ordinance;

(b) if default shall be made by the County in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Bond Ordinance, any Supplemental Ordinance or in the Bonds and such default shall continue for a period 60 days after written notice thereof to the County by the Trustee or to the County and to the Trustee by the Holders of not less than 25% in principal amount of the Bonds Outstanding; provided, however, that if such failure shall be such that it cannot be corrected within such 60-day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected;

(c) if the County shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State of South Carolina;

(d) if judgment for the payment of money shall be rendered against the County as the result of the construction, improvement, ownership, control or operation of the Airport, and any such judgment shall not be discharged within 24 months after the entry thereof, or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof; or

(e) if an order or decree shall be entered, with the consent or acquiescence of the County, appointing a receiver or receivers of the Airport or any part thereof, or other revenues therefrom, or if such order or decree having been entered without the consent or acquiescence of the County, shall not be vacated or discharged, stayed or appealed within 90 days after the entry thereof.

Accounting and Examination of Records After Default. (a) The County covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the County and all other records relating to the Airport shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, including any engineer or firm of engineers appointed to act on behalf of the Trustee.

(b) The County covenants that if an Event of Default shall happen and shall not have been remedied, the County, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and Funds, Accounts and Subaccounts pledged or held under the Bond Ordinance for such period as shall be stated in such demand.

Application of Revenues and Other Moneys After Default. (a) During the continuance of an Event of Default, the Trustee shall apply such moneys, securities and funds, and such Revenues as shall remain after the payment of Operation and Maintenance Expenses and the income therefrom, subject in the case of Available PFC Revenues to the requirements of the PFC Act, the PFC Regulations and the PFC Approvals, as follows and in the following order:

(i) to the payment of the reasonable and proper charges and expenses of the Trustee and the reasonable fees and disbursements of its counsel;

(ii) to the payment of the interest and principal or Redemption Price then due on the Bonds as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable by the County under the Bond Ordinance, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall, then be payable, shall either be paid by or for the account of the County, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bond Ordinance or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the County all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Bond Ordinance to be deposited or pledged, with the Trustee), and thereupon the County and the Trustee shall be restored, respectively, to their former positions and rights under the Bond Ordinance. No such payment over to the County by the Trustee nor such restoration of the County and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Bond Ordinance or impair any right consequent thereon.

Proceedings Brought by Trustee. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, and upon written request of the Holders of not less than 25% in principal amount of the Bonds Outstanding shall, proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the Bond Ordinance forthwith by a suit or suits in equity or at law, by mandamus or otherwise, whether for the specific performance of any covenant in the Bond Ordinance contained, or in aid of the execution of any power therein granted, or for an accounting against the County as if the County were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Bond Ordinance.

All rights of action under the Bond Ordinance may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; provided, however, that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Bond Ordinance, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Bond Ordinance and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Bond Ordinance by any acts which may be unlawful or in violation of the Bond Ordinance, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interest of the Bondholders.

As permitted by Section 6-21-360 of the Act, if there be a default in the payment of the principal of or interest on any Bonds, any court having jurisdiction in any proper action may appoint a receiver of the Airport to administer and operate the Airport with power to fix and charge rates and collect Revenues sufficient to provide for the payment of the Bonds outstanding and for the payment of the expenses of operating and maintaining the Airport and to apply the income and Revenues of the Airport in conformity with the Act and the Bond Ordinance or any Supplemental Ordinance.

Restriction on Bondholder's Action. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Bond Ordinance or the execution of any trust under the Bond Ordinance or for any remedy under the Bond Ordinance, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Bond Ordinance, and the Holders of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Bond Ordinance or by the Act or by the laws of the State of South Carolina or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 30 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Bond Ordinance, or to enforce any right under the Bond Ordinance, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Bond Ordinance shall be instituted, had and maintained in the manner provided in the Bond Ordinance and for the equal benefit of all Holders of the Outstanding Bonds.

Nothing in the Bond Ordinance or in the Bonds shall affect or impair the obligation of the County, which is absolute and unconditional, to pay, from the sources therein specified, at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of its Bond.

Remedies Not Exclusive. No remedy by the terms of the Bond Ordinance conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Ordinance or existing at law or in equity or by statute on or after the date of adoption of the Bond Ordinance.

Effect of Waiver and Other Circumstances. No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or be an acquiescence therein; and every power and remedy given by the Bond Ordinance to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds waive any past default under the Bond Ordinance and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Notice of Default. The Trustee shall promptly upon becoming aware of any Event of Default mail by first class mail to registered Holders of Bonds, the original purchasers of the Bonds and the Consultant to the

County written notice of the occurrence of any Event of Default; provided, however, that such notice shall be mailed by registered or certified mail to any registered Holders of Bonds owning \$1,000,000 or more principal amount of Bonds. Except in the case of an Event of Default, set forth in items (a) through (c) above, the Trustee shall be protected in withholding such notice if any for so long as the board of directors, the executive committee or a trust committee of other responsible officers or a trust committee of directors and other responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of Bondholders.

## **CONCERNING THE TRUSTEE**

Responsibilities of Trustee. (a) The recitals of fact in the Bond Ordinance and in the Bonds contained shall be taken as the statements of the County and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the Bond Ordinance or of any Bonds issued hereunder or as to the security afforded by the Bond Ordinance, and the Trustee shall incur no liability in respect thereof. The Trustee shall be under no obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. The Trustee nevertheless may begin suit, or appear in and defend it as such Trustee, without indemnity, and in such case the County, at the request of the Trustee, shall reimburse the Trustee from funds available under the Bond Ordinance for all costs, expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the County shall fail to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of the Bond Ordinance and shall be entitled to a preference therefor over any Bonds Outstanding. Subject to the provisions of the Bond Ordinance, the Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

(b) The Trustee, prior to the occurrence of an Event of Default of which the Trustee has actual knowledge and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Bond Ordinance and no implied covenants or regulations shall be read into the Bond Ordinance against the Trustee. In case any Event of Default of which the Trustee has actual knowledge has occurred (which has not been cured), the Trustee shall exercise such of the rights and powers vested in it by the Bond Ordinance, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Bond Ordinance relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of the Bond Ordinance.

(c) Except upon the happening of any Event of Default specified in the Bond Ordinance, the Trustee shall not be obliged to take notice or be deemed to have notice of any Event of Default under the Bond Ordinance, unless specifically notified in writing of such Event of Default by the County, or the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding.

(d) The Trustee is not liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it is proven that the Trustee was negligent in ascertaining the pertinent facts.

(e) The Trustee is not liable with respect to any action it takes or omits to be taken by it in good faith in accordance with the direction of the Bondholders under any provision of the Bond Ordinance relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Bond Ordinance.

(f) No provision of the Bond Ordinance shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) The Trustee shall not be accountable for the use or application by the County of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of the Bond Ordinance and for the use and application of money received by any paying agent.

(h) The Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the Issuer and the Borrower, in person or by agent or attorney.

(i) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of the Bond Ordinance, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(j) The Trustee shall not be (i) required to hold any policies of insurance, (ii) responsible for the filing of any documents, security agreements or financing statements regarding the creation or perfection of any interest in the Revenues or other security for the Bonds; and (iii) responsible for any information contained in any financing statements.

(k) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Bond Ordinance shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of the Bond Ordinance and final payment of the Bonds.

(l) The Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(m) The Trustee makes no representations as to the value, condition or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title or interest of the County therein, the security provided thereby or by the Bond Ordinance or the tax-exempt status of the Bonds.

(n) The Trustee may execute any of its trusts or powers or perform any duties under the Bond Ordinance either directly or by or through agents, attorneys or receivers, and may in all causes pay, subject to reimbursement as provided in the Bond Ordinance, such reasonable compensation as it deems proper to all such agents, attorneys and receivers employed or retained by it, and the Trustee shall not be responsible for any misconduct, negligence of any agent, attorney or receiver appointed with due care by it.

(o) The Trustee is not required to expend any of its funds or to give any bond or surety with respect to the performance of its duties or the exercise of its powers under the Bond Ordinance.

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Bond Ordinance by giving not less than 45 days' written notice to the County and the Holders of the Outstanding Bonds, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the County or the Bondholders as provided in the Bond Ordinance, in which event such resignation shall take effect immediately on the appointment of such successor; provided, however, that in no event shall the resignation of the Trustee become effective until a successor Trustee shall have been appointed and accepted the duties thereof, pursuant to the provisions of the Bond Ordinance.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and either signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the County or, if no Event of Default shall have occurred and be continuing, signed by an Authorized Officer of the County.

Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed, if an Event of Default shall have occurred and be continuing, by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the County or, if no Event of Default shall have occurred and be continuing, by the County. Such appointment shall be by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized, or by an Authorized Officer of the County, and delivered to such successor Trustee and notification thereof being given to the predecessor Trustee. Notice of any such appointment shall be given to the Holders of all outstanding Bonds within 20 days after such appointment.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the County written notice as provided in the Bond Ordinance or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank, depository or trust company duly qualified and doing business in the State of South Carolina having capital stock and surplus aggregating at least \$20,000,000, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Bond Ordinance.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business; provided, however, such company shall be a bank, depository or trust company duly qualified and doing business in the State of South Carolina having a net worth after such merger, conversion, consolidation, sale or transfer at least equal to the net worth of the Trustee immediately prior thereto, shall be authorized by law to perform all the duties imposed upon it by the Bond Ordinance, and shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act.

## SUPPLEMENTAL ORDINANCES

Supplemental Ordinances Effective Upon Filing With the Trustee. For any one or more of the following purposes, and at any time or from time to time, a Supplemental Ordinance of the County may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the County, shall be fully effective in accordance with its terms:

(a) to close the Bond Ordinance against, or provide limitations and restrictions to the limitations and restrictions contained in the Bond Ordinance on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(b) to add to the covenants and agreements of the County in the Bond Ordinance, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with the Bond Ordinance as theretofore in effect;

(c) to add to the limitations and restrictions in the Bond Ordinance, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with the Bond Ordinance as theretofore in effect;

(d) to authorize Bonds of a Series and determine the terms and details thereof and, in connection therewith, specify and determine the matters and things referred to in the Bond Ordinance, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Bond Ordinance as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(e) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Ordinance, of the Revenues, or of any other moneys, securities or funds; and

(f) to modify any of the provisions of the Bond Ordinance in any respect whatever; provided that (1) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Ordinance shall cease to be Outstanding, and (2) such Supplemental Ordinance shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Ordinance and of Bonds issued in exchange therefor or in place thereof.

Supplemental Ordinances Effective Upon Consent of Trustee. For any one or more of the following purposes, and at any time or from time to time, a Supplemental Ordinance may be adopted, which, upon (A) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the County, and (B) the filing with the Trustee and the County of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(a) To cure any ambiguity, supply an omission, or cure or correct any defect or inconsistent provision in the Bond Ordinance; or

(b) To insert such provisions clarifying matters or questions arising under the Bond Ordinance as are necessary or desirable and are not contrary to or inconsistent with the Bond Ordinance theretofore in effect.

Supplemental Ordinances Effective With Consent of Bondholders. At any time or from time to time, a Supplemental Ordinance may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of the Bond Ordinance, which Supplemental Ordinance, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the County and upon compliance with the provisions of the Bond Ordinance, shall become fully effective in accordance with its terms as provided in the Bond Ordinance.

## AMENDMENTS

Powers of Amendment. Any modification or amendment of the Bond Ordinance and of the rights and obligations of the County and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Ordinance, with the written consent given as provided in the Bond Ordinance, (A) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (B) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bond shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or Sinking Fund Installment or of any installment of interest without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Bond Ordinance if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series.

Consent of Bondholders. The County Council may at any time adopt a Supplemental Ordinance making a modification or amendment permitted by the provisions of the Bond Ordinance, to take effect when and as provided in this paragraph. A copy of such Supplemental Ordinance (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the County to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Ordinance when consented to as in the Bond Ordinance). Such Supplemental Ordinance shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in the Bond Ordinance, and (b) a Counsel's Opinion stating that such Supplemental Ordinance has been duly and lawfully adopted and filed by the County in accordance with the provisions of the Bond Ordinance, is authorized or permitted by the Bond Ordinance, and is valid and binding upon the County and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holdings, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Bond Ordinance.

Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in the Bond Ordinance to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof).

A record, consisting of the papers required or permitted by the Bond Ordinance to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Ordinance making such

amendment or modification shall be deemed conclusively binding upon the County, the Trustee and the Holders of all Bonds upon the filing with the Trustee of the proof of the mailing of such notice.

Modification by Unanimous Consent. The terms and provisions of the Bond Ordinance and the rights and obligations of the County and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the County of a Supplemental Ordinance and the consent of the Holders of all the Bonds then Outstanding, such consent to be given as provided in the Bond Ordinance except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the written assent thereto of the Trustee in addition to the consent of the Bondholders.

### **DEFEASANCE**

If the County shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Ordinance, then the pledge of any Revenues, and other moneys and securities pledged under the Bond Ordinance, the statutory lien upon the Airport, and all covenants, agreements and other obligations of the County to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the County all such instruments as may be reasonably requested and in form and content acceptable to the Trustee to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the County all moneys or securities held by them pursuant to the Bond Ordinance which are not required for the payment of principal or Redemption Price, if applicable, and interest on Bonds not theretofore surrendered for such payment or redemption. If the County shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Ordinance, such Bonds shall cease to be entitled to any lien, benefit or security under the Bond Ordinance, and all covenants, agreements and obligations of the County to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the County of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection above. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) above, (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice as provided in the Bond Ordinance of redemption of such Bonds on said date, (2) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Governmental Obligations the principal of and the interest on which when due will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, and all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding 30 days, the County shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable, in the manner provided in the Bond Ordinance, notice to the Holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that

said Bonds are deemed to have been paid in accordance with this section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Governmental Obligations nor moneys deposited with the Trustee pursuant to this section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided, however, that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, (a) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Bond Ordinance, and (b) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable and legally permissible, be reinvested in Governmental Obligations maturing at times and in amounts sufficient to pay when due the principal or premium, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Bond Ordinance.

Anything in the Bond Ordinance to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Bonds became due and payable, shall, unless otherwise provided by law, at the written request of the County, be repaid by the Trustee to the County, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the County for the payment of such Bonds.

In determining the sufficiency of the moneys and Governmental Obligations, the Trustee shall receive, at the expense of the County, and may rely upon a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the County to such defeasance. If moneys or Governmental Obligations have been deposited with the Trustee pursuant to this section for payment of less than all Bonds of a Series and maturity, the Bonds of such Series and maturity to be so paid from such deposit shall be selected by the Trustee in such manner as is provided for the selection of the applicable Bonds for redemption as shall provide for the selection of portions (in authorized denominations) of the principal of Bonds of such Series and maturity of a denomination larger than the smallest authorized denomination. Such selection shall be made within seven days after the moneys or Governmental Obligations have been deposited with the Trustee.

### **RIGHTS OF CREDIT PROVIDER**

If a Credit Facility is provided for a Series of Bonds or for specific Bonds, the County may in the Supplemental Ordinance under which such Bonds are issued, provide any or all of the following rights to the Credit Provider as the County shall deem to be appropriate:

(a) the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings pursuant to the Bond Ordinance to the same extent and in place of the holders of the Bonds which are secured by the Credit Facility and for such purposes the Credit Provider shall be deemed to be the holders of such Bonds;

(b) the right to act in place of the holders of the Bonds which are secured by the Credit Facility for purposes of removing a Trustee or appointing a Trustee under the Bond Ordinance; and

(c) the right to consent to amendments to the Bond Ordinance and Supplemental Ordinances to the same extent and in place of the holders of the Bonds secured by the Credit Facility.

### **PAYMENTS DUE ON HOLIDAYS**

If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in the Bond Ordinance, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in the Bond Ordinance.

### **MUNICIPAL BOND INSURANCE**

So long as the Insured Series 2010A Bonds are Outstanding, the following provisions shall apply. The following provisions are solely for the benefit of AGM, and may be waived, amended and modified by AGM without the consent of the Holder of any Series 2010 Bond.

(a) So long as no Insurer Default has occurred and is continuing, the prior written consent of AGM shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the 2010 Debt Service Reserve Account. Notwithstanding anything to the contrary set forth in the Ordinance as Supplemented, amounts on deposit in the 2010 Debt Service Reserve Account shall be applied solely to the payment of debt service due on the Series 2010 Bonds and any other Series of Bonds participating in such Account.

(b) So long as no Insurer Default has occurred and is continuing, AGM shall be deemed to be the sole holder of the Insured Series 2010A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Series 2010A Bonds are entitled to take pursuant to the provisions of the Ordinance as Supplemented, pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. Mandamus is available as a remedy to AGM in such capacity.

(c) AGM is deemed a third party beneficiary to the Ordinance as Supplemented.

(d) Any Insured Series 2010A Bonds purchased by or on behalf of the County in lieu of redemption shall be immediately cancelled unless AGM consents otherwise.

(e) So long as no Insurer Default has occurred and is continuing, any amendment, supplement, modification to, or waiver of, the Ordinance as Supplemented that requires the consent of Bondowners or adversely affects the rights and interests of AGM shall be subject to the prior written consent of AGM.

(f) So long as no Insurer Default has occurred and is continuing, unless AGM otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the 2010A Construction Fund Account shall not be disbursed except for the payment of debt service on or the Redemption Price of the Insured Series 2010A Bonds.

(g) The rights granted to AGM under the Ordinance as Supplemented to request, consent to or direct any action are rights granted to AGM in consideration of its issuance of the Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of

AGM, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of AGM.

(h) Only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), or (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, shall be used to effect defeasance of the Insured Series 2010A Bonds unless AGM otherwise approves.

To accomplish defeasance in connection with an advance refunding of Insured Series 2010A Bonds, the County shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to AGM (“Accountant”) verifying the sufficiency of the escrow established to pay the Insured Series 2010A Bonds in full on the maturity or redemption date (“Verification”), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to AGM), (iii) an opinion of nationally recognized bond counsel to the effect that the Insured Series 2010A Bonds are no longer “Outstanding” under the Ordinance as Supplemented and (iv) a certificate of discharge of the Trustee with respect to the Insured Series 2010A Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the County, Trustee and AGM. AGM shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

Insured Series 2010A Bonds shall be deemed “Outstanding” under the Ordinance as Supplemented unless and until they are in fact paid and retired or the above criteria are met.

(i) Amounts paid by AGM under the Policy shall not be deemed paid for purposes of the Ordinance as Supplemented and the Insured Series 2010A Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the County in accordance with the Ordinance as Supplemented. The Ordinance as Supplemented shall not be discharged unless all amounts due or to become due to AGM have been paid in full or duly provided for.

(j) The County covenants and agrees to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Revenues which remain after the payment of Operation and Maintenance Expenses made pursuant to the Ordinance as Supplemented under applicable law.

(k) Claims Upon the Policy and Payments by and to AGM.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under the Ordinance as Supplemented, moneys sufficient to pay the principal of and interest on the Insured Series 2010A Bonds due on such Payment Date, the Trustee shall give notice to AGM and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Series 2010A Bonds due on such Payment Date, the Trustee shall make a claim under the Policy and give notice to AGM and AGM’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Series 2010A Bonds and the amount required to pay principal of the Insured Series 2010A Bonds, confirmed

in writing to AGM and AGM's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Policy.

The Trustee shall designate any portion of payment of principal on Insured Series 2010A Bonds paid by AGM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Series 2010A Bonds registered to the then current Bondholder, whether the Depository or its nominee or otherwise, and shall issue a replacement Bond to AGM, registered in the name of Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Series 2010A Bond shall have no effect on the amount of principal or interest payable by the County on any Insured Series 2010A Bond or the subrogation rights of AGM.

The Trustee shall keep a complete and accurate record of all funds deposited by AGM into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Series 2010A Bond. AGM shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to in the Ordinance as Supplemented as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections of the Ordinance as Supplemented regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the County agrees to pay to AGM (i) a sum equal to the total of all amounts paid by AGM under the Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by AGM until payment thereof in full, payable to AGM at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Series 2010A Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The County covenants and agrees that AGM Reimbursement Amounts shall be secured by a lien on and pledge of the Revenues which remain after the payment of Operation and Maintenance Expenses and payable from such Revenues which remain after the payment of Operation and Maintenance Expenses on a parity with debt service due on the Bonds to the same extent as the Series 2010A Bonds of the respective Series; provided, however, that Available PFC Revenues shall be pledged and available for such purposes only to the extent the Reimbursement Amounts relate to PFC Bonds and such pledge and application is permitted by law.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Insured Series 2010A Bond payment date shall promptly be remitted to AGM.

(l) AGM shall, to the extent it makes any payment of principal of or interest on the Insured Series 2010A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy. Each obligation of the County to AGM under the Ordinance as Supplemented shall survive discharge or termination of the Ordinance as Supplemented.

(m) The County shall pay or reimburse AGM any and all charges, fees, costs and expenses that AGM may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Ordinance as Supplemented, (ii) the pursuit of any remedies under the Ordinance as Supplemented or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Ordinance as Supplemented whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Ordinance as Supplemented or the transactions contemplated thereby, other than costs resulting from the failure of AGM to honor its obligations under the Policy. AGM reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Ordinance as Supplemented.

(n) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the County or rebate only after the payment of past due and current debt service on the Insured Series 2010A Bonds and amounts required to restore the 2010 Debt Service Reserve Account to the Debt Service Reserve Requirement.

(o) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Ordinance as Supplemented would adversely affect the security for the Bonds or the rights of the Bondholders, the County shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Policy.

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FORM OF BOND COUNSEL OPINION

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[Date of Delivery]

Horry County, South Carolina  
1301 Second Avenue  
Conway, SC 29526

Re: Horry County, South Carolina \$50,870,000 Airport Revenue Bonds, Series 2010A and \$9,720,000 Taxable Airport Revenue Bonds, Series 2010B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and delivery by Horry County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina (the "County") of its \$50,870,000 principal amount Airport Revenue Bonds, Series 2010A (the "Series 2010A Bonds") and its \$9,720,000 principal amount Taxable Airport Revenue Bonds, Series 2010B (the "Series 2010B Bonds," together with the Series 2010A Bonds, the "Series 2010 Bonds").

The Series 2010 Bonds are issued pursuant to the provisions of Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended (the "Act"), and pursuant to the provisions of a general bond ordinance enacted by the County Council of the County (the "Council") on October 19, 2010 (the "General Bond Ordinance"), as supplemented by a supplemental ordinance enacted by the Council on October 19, 2010 (the "First Supplemental Ordinance," together with the General Bond Ordinance, the "Ordinances"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Ordinances.

The proceeds of the Series 2010A Bonds will be used to (i) pay a portion of the cost of construction of the Terminal Capacity Enhancement Program at the Airport (the "Series 2010A Project," as such term is more particularly defined in the Ordinances), (ii) fund a portion of the interest on the Series 2010A Bonds through December 1, 2012, (iii) fund a portion of the Debt Service Reserve Requirement with respect to the Series 2010 Bonds, and (iv) pay costs of issuance of the Series 2010A Bonds.

The proceeds of the Series 2010B Bonds will be used to (i) pay a portion of the cost of the Harrelson Boulevard Improvements, (ii) fund a portion of the interest on the Series 2010B Bonds through December 1, 2011, (iii) fund a portion of the Debt Service Reserve Requirement with respect to the Series 2010 Bonds, and (iv) pay costs of issuance of the Series 2010B Bonds.

We have examined the Constitution and statutes of the State of South Carolina, and certified copies of proceedings of the Council authorizing the issuance of the Series 2010 Bonds, including the Act

and the Ordinances, and such other records and documents as we have considered necessary or appropriate for the purposes of this opinion.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2010 Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the County contained in the Ordinances and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law and regulations, as follows:

1. The County is validly existing as a body politic and corporate and a political subdivision of the State of South Carolina with the power to enact the Ordinances, perform the agreements on its part contained therein and issue the Series 2010 Bonds.

2. The Ordinances have been duly enacted by the County and constitute valid and binding obligations of the County enforceable against the County.

3. The Ordinances create a valid lien on the Revenues derived by the County from the operation of the Airport which remain after the payment of Operation and Maintenance Expenses and a statutory lien on the Airport for the security of the Series 2010 Bonds on a parity with other Bonds (if any) which may be issued under the General Bond Ordinance; provided that Available PFC Revenues are pledged only to the payment of PFC Bonds.

4. The Series 2010 Bonds have been duly authorized and executed by the County and are valid and binding limited obligations of the County, payable solely from the sources provided therefor in the Ordinances.

5. Interest on the Series 2010A Bonds is excludable from gross income for federal income tax purposes, except for any period during which the Series 2010A Bonds are held by a person who is a "substantial user" of the Series 2010A Project or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2010A Bonds is not a specific item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for purposes of calculating the alternative minimum tax imposed on corporations.

Exclusion of the interest on the Series 2010A Bonds from gross income for federal income tax purposes is dependent upon continuing compliance by the County with certain requirements of the Code throughout the term of such Series 2010A Bonds. Under the Code, failure to comply with such requirements may cause the interest on the Series 2010A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The County has covenanted to comply with all such requirements.

6. Interest on the Series 2010B Bonds is included in gross income for federal income tax purposes. This opinion is not intended or provided by bond counsel to be used and cannot be used by an owner of the Series 2010B Bonds for the purpose of avoiding penalties that may be imposed on the owner of such Series 2010B Bonds. The opinion set forth in this paragraph is not provided to support the promotion or marketing of the Series 2010B Bonds. Each owner of Series 2010B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

7. Under the laws of the State of South Carolina, the Series 2010 Bonds and the interest thereon paid are presently exempt from all taxation in said State, except for estate or other transfer taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Series 2010 Bonds.

It is to be understood that the rights of the holders of the Series 2010 Bonds and the enforceability of the Series 2010 Bonds and the Ordinances are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion regarding federal, state or local tax consequences arising with respect to the Series 2010 Bonds except as stated above.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Sincerely,

McNAIR LAW FIRM, P.A.

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “**Disclosure Undertaking**”) is executed and delivered by Horry County, South Carolina (the “**Issuer**”), a body politic and corporate and a political subdivision, in connection with the issuance of its \$50,870,000 Airport Revenue Bonds, Series 2010A (the “**Series 2010A Bonds**”) and \$9,720,000 Taxable Airport Revenue Bonds, Series 2010B (the “**Series 2010B Bonds**”) and together with the Series 2010A Bonds, the “**Bonds**”). The Bonds are being issued pursuant to a General Bond Ordinance enacted by the County Council of the Issuer on October 19, 2010, as supplemented by the First Supplemental Ordinance enacted by said County Council on the same date (collectively, the “**Ordinance**”). In consideration of the purchase of the Bonds by the Participating Underwriter (as defined below), the Issuer represents, covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Airport**” shall have the meaning provided with respect to such term in the Ordinance.

“**Annual Report**” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

“**Beneficial Owner**” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

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

“**Holder**” or “**Holder of the Bonds**” shall mean the registered owners of the Bonds.

“**Listed Events**” shall mean any of the events listed in Section 5(a) of this Disclosure Undertaking.

“**National Repository**” shall mean the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“**EMMA**”) system.

“**Official Statement**” shall mean the official statement of the Issuer dated November 2, 2010, prepared in connection with the issuance of the Bonds.

“**Obligated Person**” shall mean the Issuer and each airline or other entity using the Airport (as defined in the Ordinance) under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which use or lease agreement such airline or other entity has paid amounts equal to 20% of the Revenues (as defined in the Ordinance) of the Airport for the prior two fiscal years of the Issuer.

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

“**Repository**” shall mean each National Repository and each State Depository, if any.

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

“*State*” shall mean the State of South Carolina.

“*State Depository*” shall mean any public or private repository or entity designated by the State as a state information depository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Undertaking, there is no State Depository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than seven (7) months after the end of the Issuer’s fiscal year (currently, June 30) commencing with the report for the 2011 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the audited financial statements of the Issuer with respect to the Airport may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a) above, the Issuer shall send a notice to the National Repositories, the Municipal Securities Rulemaking Board and the State Depository, if any, in substantially the form attached hereto as Schedule I.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Depository, if any; and

(ii) (if the Dissemination Agent is other than the Issuer) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports.

(a) The Issuer’s Annual Report shall contain or include by reference the Issuer’s audited financial statements with respect to the Airport for the prior fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements with respect to the Airport in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The following shall also be filed as part of the Annual Report for the applicable fiscal year:

1. Updates of the following tables in the Official Statement:

- (A) passenger enplanements table under “THE AIRPORT – Passenger Enplanements”;
- (B) table entitled “Historical Passenger Enplanements and Market Shares”;
- (C) table entitled “Historical Operations”;
- (D) table entitled “Historical Airline Revenues”;
- (E) table entitled “Historical Concession Revenues;”
- (F) table entitled “Historical FBO and Airline Service Revenue”;
- (G) table under “FINANCIAL FACTORS – Five-Year Summary; and
- (H) table entitled “Historical Fiscal Year Debt Service Coverage Calculation”; and

2. A table showing remaining annual debt service on all outstanding Bonds (within the meaning of the Ordinance).

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

(c) The Issuer may discharge its undertaking described above by transmitting the documents referred to above to any entity and by any method authorized by the Securities and Exchange Commission.

(d) The Issuer agrees to request each Obligated Person (to the extent such entity is not otherwise required under federal law to do so) to make annual financial information available as required by the Rule. The Issuer takes no responsibility for the accuracy or completeness of such filings by any Obligated Person. The Issuer's obligations under this paragraph are limited to and satisfied by the Issuer's transmitting a notice to such Obligated Person that it has become an Obligated Person under this Disclosure Agreement, by enclosing a copy of this Agreement and the Rule, and by requesting that such person transmit back to the Issuer an acknowledgement and acceptance of such person's obligations under the Rule with regard to the Bonds.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give or cause to be given, in a timely manner, (i) to each National Repository or to the Municipal Securities Rulemaking Board, and (ii) to the State Depository, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. unscheduled draws on the debt service reserves reflecting financial difficulties.
4. unscheduled draws on the credit enhancements reflecting financial difficulties.
5. substitution of the credit or liquidity providers or their failure to perform.
6. adverse tax opinions or events affecting the tax-exempt status of the Series 2010A Bonds.
7. modifications to rights of Bondholders.
8. optional, contingent or unscheduled bond calls.
9. defeasances.
10. release, substitution or sale of property securing repayment of the Bonds.
11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that the occurrence of a Listed Event is material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with each National Repository or the Municipal Securities Rulemaking Board and the State Depository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Undertaking. The initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person (within the meaning of the Rule) with respect to the Bonds, or the type of business conducted;

(b) This Disclosure Undertaking, as amended or taking into account such waiver, would, in the opinion of nationally-recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of Holders, or (ii) does not, in the opinion of said nationally-recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Undertaking, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Ordinance, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, the Participating Underwriter, Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**HORRY COUNTY, SOUTH CAROLINA**

By: \_\_\_\_\_  
County Administrator

Date: \_\_\_\_\_, 2010

**SCHEDULE I**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: **HORRY COUNTY, SOUTH CAROLINA**

Name of Bond Issue: **\$50,870,000 AIRPORT REVENUE BONDS, SERIES 2010A AND \$9,720,000 TAXABLE AIRPORT REVENUE BONDS, SERIES 2010B**

Date of Issuance: \_\_\_\_\_, **2010**

**NOTICE IS HEREBY GIVEN** that Horry County, South Carolina (the "**Issuer**") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2010. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

**HORRY COUNTY, SOUTH CAROLINA**

By: \_\_\_\_\_  
County Administrator

Date: \_\_\_\_\_

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SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same 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 call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.  
(FORMERLY KNOWN AS FINANCIAL  
SECURITY ASSURANCE INC.)

By \_\_\_\_\_  
Authorized Officer

(212) 826-0100

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