

New Issue - Book Entry Only

In the opinion of McNair Law Firm, P.A., Bond Counsel, assuming continuing compliance by the Authority and the Hotel Corporation with certain covenants, interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Series 2015 Bonds is not an item of tax preference in computing the alternative minimum taxable income of individuals or corporations. Interest on the Series 2015 Bonds will, however, be included in the computation of certain taxes including the computation of adjusted current earnings for purposes of calculating the alternative minimum tax for corporations. See "TAX EXEMPTION" for a brief description of alternative minimum tax treatment and certain other federal income tax consequences to certain recipients of interest on the Series 2015 Bonds. The Series 2015 Bonds and the interest thereon will also be exempt from all State of South Carolina, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY
\$16,405,000 REFUNDING REVENUE BONDS
(CITY OF MYRTLE BEACH PROJECT), SERIES 2015

Dated: Date of Delivery

Due Date: April 1, as shown on inside front cover

The Series 2015 Bonds (the "Series 2015 Bonds") are issuable only as fully registered bonds in denominations of \$5,000 and integral multiples thereof. All of the Series 2015 Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2015 Bonds will be in book-entry form only. So long as the Series 2015 Bonds shall be maintained under a book-entry system, payments of principal of, redemption premium (if any) and interest on the Series 2015 Bonds will be made to DTC. U.S. Bank National Association, as trustee (the "Trustee"), shall have no obligation to make any payments to any beneficial owner of any of the Series 2015 Bonds. See "THE SERIES 2015 BONDS--Book-Entry Only System" herein. The Series 2015 Bonds will be dated as of the date of delivery. Interest on the Series 2015 Bonds will be payable on each April 1 and October 1 commencing April 1, 2015.

The Series 2015 Bonds will be issued by the South Carolina Jobs-Economic Development Authority (the "Authority"), to (1) refund the outstanding South Carolina Jobs-Economic Development Authority Subordinate Revenue Bonds (Myrtle Beach Convention Center Hotel Project), 2001 Series B (the "Refunded Bonds") which were issued to finance the construction of a 402-room convention center hotel and related parking garage contiguous to, and the refurbishment of certain support facilities within, the Myrtle Beach Convention Center (the "Project," as more particularly defined herein), (2) fund a debt service reserve fund as described herein, and (3) pay the costs of issuance of the Series 2015 Bonds. The Sheraton Myrtle Beach Convention Center Hotel (the "Hotel") is held by Myrtle Beach Convention Center Hotel Corporation, a public benefit nonprofit corporation incorporated under the laws of the State of South Carolina (the "Hotel Corporation"), pursuant to a long-term lease with the City of Myrtle Beach, South Carolina (the "City"). The Hotel is operated pursuant to a Qualified Management Agreement (as such term is defined herein) by Interstate Management Company, LLC, a Delaware limited liability company, and a License Agreement (as such term is defined herein) with The Sheraton LLC, a Delaware limited liability company which is a subsidiary of Starwood Hotels & Resorts Worldwide, Inc.

The Series 2015 Bonds are limited obligations of the Authority, the principal, redemption price of and interest on which are payable solely from the Trust Estate pledged under the Indenture, as described herein under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The Trust Estate (as such term is defined herein) consists principally of all rights and interest of the Authority (except certain unassigned rights) under and pursuant to the Loan Agreement, including the revenues derived from the operation of the Hotel, its interest in all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund), including investments thereon, and its rights under the Mortgage and the Assignment Agreement (as such term is defined herein).

The Series 2015 Bonds are enhanced by a limited guarantee provided by the City, subject to annual appropriation, to replenish amounts withdrawn from the Debt Service Reserve Fund (as such term is defined herein) established under the Indenture to pay debt service on the Series 2015 Bonds.

The Series 2015 Bonds are subject to optional redemption prior to maturity as described herein under "THE SERIES 2015 BONDS--Redemption Provisions."

OWNERSHIP OF THE SERIES 2015 BONDS IS SUBJECT TO RISK. PROSPECTIVE INVESTORS SHOULD REVIEW ALL OF THE INFORMATION IN THIS OFFICIAL STATEMENT CAREFULLY PRIOR TO PURCHASING ANY OF THE SERIES 2015 BONDS. See "RISK FACTORS."

The Series 2015 Bonds are limited obligations of the Authority, the principal of, premium, if any, and interest on which shall be payable by the Authority solely from a revenue-producing project or special source which includes the repayments, revenues, receipts and security described in the Indenture and derived by the Authority pursuant to the Loan Agreement, which repayments, revenues, receipts and security have been pledged and assigned to the Trustee to secure payments due with respect to the Series 2015 Bonds, all as described in and subject to the limitations set forth in the Indenture, for the benefit of the holders from time to time of the Series 2015 Bonds. The Series 2015 Bonds constitute an indebtedness payable only from a revenue-producing project or special source within the meaning of Article X, Section 13(9) of the Constitution of the State of South Carolina (the "State"), which source of payment does not include revenues from any tax or license. The Series 2015 Bonds and the interest and any premium, if any, thereon do not and shall never constitute a general obligation or indebtedness of the Authority or of the State within the meaning of any State constitutional provision or statutory limitation and do not and shall never constitute or give rise to a pecuniary liability of the Authority or of the State or any agency or political subdivision of the State or a charge against the general credit of the Authority or the State or any agency or political subdivision of the State or taxing powers of the State or any agency or political subdivision thereof. The Authority does not have taxing powers.

The Series 2015 Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by Wells Fargo Bank, National Association (the "Underwriter"), subject to the final approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Parker Poe Adams & Bernstein, L.L.P., Columbia, South Carolina, for the Hotel Corporation by its counsel, Nelson Mullins Riley & Scarborough, L.L.P., Myrtle Beach, South Carolina, for the City by its counsel, Thomas E. Ellenburg, Esquire, Myrtle Beach, South Carolina, and for the Underwriter by its counsel, Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina. It is expected that the Series 2015 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about January 28, 2015.

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

WELLS FARGO SECURITIES

SERIES 2015 BONDS

<u>Maturity</u> <u>April 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u> <u>April 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2016	\$705,000	2.00%	0.57%	837036EC2	2027	\$ 815,000	5.00%	2.68% ^c	837036EP3
2017	715,000	3.00	0.87	837036ED0	2028	870,000	3.00	3.05	837036EQ1
2018	740,000	4.00	1.17	837036EE8	2029	895,000	3.00	3.08	837036ER9
2019	770,000	4.00	1.42	837036EF5	2030	920,000	3.00	3.10	837036ES7
2020	355,000	5.00	1.68	837036EG3	2031	950,000	3.00	3.18	837036ET5
2021	380,000	5.00	1.89	837036EH1	2032	980,000	5.00	2.94 ^c	837036EU2
2022	395,000	2.00	2.13	837036EJ7	2033	1,025,000	3.25	3.35	837036EV0
2023	410,000	5.00	2.26	837036EK4	2034	1,065,000	5.00	3.05 ^c	837036EW8
2024	575,000	5.00	2.37	837036EL2	2035	1,115,000	5.00	3.06 ^c	837036EX6
2025	755,000	5.00	2.49	837036EM0	2036	1,175,000	5.00	3.10 ^c	837036EY4
2026	795,000	5.00	2.60 ^c	837036EN8					

^c Yield to April 1, 2025 call at 100%

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or any other person has been authorized by the Authority to give any information or to make any representation, other than those contained in this Official Statement, and if given and made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy. There may not be any sale of the Series 2015 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. All information included herein has been provided by the Hotel Corporation except where attributed to other sources. The Authority and the Hotel Corporation believe that the information contained in this Official Statement is correct and complete and have no knowledge of any inaccuracy or incompleteness as to any of the information herein contained. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Hotel Corporation since the date hereof.

Information in this Official Statement has been obtained by the Underwriter from the Hotel Corporation, the Authority and other sources believed to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, the Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

U.S. Bank National Association, as Trustee, has not provided, or undertaken to determine the accuracy of any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series 2015 Bonds, or (iii) the tax-exempt status of the interest on the Series 2015 Bonds.

No quotations from or summaries or explanations of provisions of laws and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Authority or the Hotel Corporation and the purchasers or owners of any of the Series 2015 Bonds. 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 cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

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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 in Appendix C hereto. The offering of the Series 2015 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 Authority

The South Carolina Jobs-Economic Development Authority (the “Authority”) is a public body corporate and politic and an agency of the State of South Carolina (the “State”). The Authority is authorized pursuant to the Constitution and laws of the State, including Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the “Act”), to issue revenue bonds and establish loan programs using the proceeds thereof to promote and develop the business and economic welfare of the State and encourage and assist in the location of new business enterprises in the State. See “THE AUTHORITY.”

Purposes of the Issue

The \$16,405,000 principal amount South Carolina Jobs-Economic Development Authority Refunding Revenue Bonds (City of Myrtle Beach Project), Series 2015 (the “Series 2015 Bonds”) are being issued to provide moneys to (1) refund the outstanding South Carolina Jobs-Economic Development Authority Subordinate Revenue Bonds (Myrtle Beach Convention Center Hotel Project), 2001 Series B (the “Refunded Bonds”) which were issued to finance the construction of a 402-room convention center hotel and related parking garage contiguous to, and the refurbishment of certain support facilities within, the Myrtle Beach Convention Center (the “Project,” as more particularly defined herein), (2) fund a debt service reserve fund as described herein, and (3) pay the costs of issuance of the Series 2015 Bonds.

The Sheraton Myrtle Beach Convention Center Hotel (the “Hotel”) is held by Myrtle Beach Convention Center Hotel Corporation, a public benefit nonprofit corporation incorporated under the laws of the State of South Carolina (the “Hotel Corporation”), pursuant to a long-term lease with the City of Myrtle Beach, South Carolina (the “City”). The Hotel is operated as a Sheraton Hotel pursuant to a License Agreement (as defined herein) with The Sheraton LLC, a Delaware limited liability company (the “Licensor”). The Licensor is a subsidiary of Starwood Hotels & Resorts Worldwide, Inc. (“Starwood”). The Hotel is operated by Interstate Management Company, a Delaware limited liability company (the “Manager,” as more particularly described herein), pursuant to a Qualified Management Agreement (as defined herein). See “INTRODUCTION” and “THE HOTEL.”

The Hotel Corporation

The Hotel Corporation is a public benefit nonprofit corporation incorporated under the laws of the State on July 5, 2000. The Hotel Corporation was organized at the direction of, and is controlled by, the City, for the purpose of assisting the City in the financing, acquisition, construction and operation of the Hotel. See “THE HOTEL CORPORATION.”

The City

The City, named for wax myrtle trees growing wild along the shore of the Atlantic Ocean, was incorporated as a town in 1937 and as a city in 1957. It is the largest city in Horry County (the “County”) by area and population and is located on the coast of the State approximately 23 miles south of the North Carolina boundary and 90 miles north of Charleston, South Carolina. The City encompasses approximately 23.4 square miles. The City is the center of a 60-mile long coastal beach known as the “Grand Strand” which extends from the southeastern border of North Carolina southward to Georgetown, South Carolina. The Grand Strand has some of the world's widest beaches, reaching nearly a quarter of a mile wide during low tide.

The City owns the Myrtle Beach Convention Center (the “Center”), subject to a lease purchase financing arrangement, and, subject to the Site and Support Facilities Lease (as defined herein) with the Hotel Corporation, the Hotel. See “THE CITY” and “THE CONVENTION CENTER” and Appendix G.

The Convention Center	The 249,800 square foot Center is located two blocks from the beach in downtown Myrtle Beach. The Center has 100,800 square feet of exhibition space, 14,600 square feet of meeting space, 18,000 square feet of ballroom space, portable seating to accommodate up to 10,000 people and 1,440 surface parking spaces. The Center has operated at its existing site since October 6, 1967. See “THE CONVENTION CENTER.”
The Manager	The Hotel is managed and operated by Interstate Management Company, LLC, a Delaware limited liability company and a wholly owned subsidiary of Interstate Hotels & Resorts, Inc. (“Interstate”). Interstate is a leading U.S.-based global hotel management company. Interstate and its affiliates operate over 400 hotels, representing over 78,000 rooms on three continents and 13 countries, under 49 franchise brand names and independently branded hotels. As an operator of franchised full- and select-service hotels under leading international brand families such as Marriott, Starwood, IHG, Hyatt and Hilton, owners benefit from Interstate’s long-standing relationships and depth of experience. Interstate’s managed hotels are operated on behalf of a variety of owners including institutional and individual investors, private equity funds, financial institutions and publicly traded REITs, among others. Interstate’s portfolio includes premium branded and select service hotels, independent hotels, luxury resorts, and convention and conference centers. Interstate is a wholly-owned subsidiary of a 50/50 joint venture between subsidiaries of Thayer Lodging Group and Jin Jiang Hotels.
Starwood and The Licensor	Starwood has over 1,200 properties in 100 countries and 181,000 employees. Starwood is a fully integrated owner, operator and franchisor of hotels, resorts, and residences with the following brands: Sheraton, St. Regis, The Luxury Collection, W Westin, Le Meridien, Four Points by Sheraton, Aloft, and Element by Westin. The Licensor is a subsidiary of Starwood. Starwood has no obligations related to the Series 2015 Bonds, has not provided any financial information included herein, and is not endorsing or participating in the offering of the Series 2015 Bonds.
The Series 2015 Bonds	The Series 2015 Bonds are being issued initially in book-entry only form in denominations of \$5,000 and integral multiples thereof. See “THE SERIES 2015 BONDS.”
Date of Issue	The Series 2015 Bonds will be initially dated and bear interest from the date of their delivery.
Delivery of Series 2015 Bonds	It is expected that the Series 2015 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about January 28, 2015.
Interest Payments	Interest on the Series 2015 Bonds is payable on each April 1 and October 1, commencing April 1, 2015.
Principal Maturities	The Series 2015 Bonds mature as serial bonds due April 1, 2016 through 2036.

Redemption Provisions	The Series 2015 Bonds maturing on or after April 1, 2026, are subject to redemption prior to maturity, at the option of the Authority on and after April 1, 2025, in whole or in part (and if in part, by lot within a maturity) at any time upon 30 days' notice, at a redemption price equal to 100 percent of the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest to the date of redemption, as set forth in "THE SERIES 2015 BONDS--Redemption Provisions-- <i>Optional Redemption</i> ."
Source of Payments	The Series 2015 Bonds are secured by a pledge of the Trust Estate (as defined herein). The Trust Estate consists principally of all rights and interest of the Authority (except certain unassigned rights) under and pursuant to the Loan Agreement (as defined herein), including the revenues derived from the operation of the Hotel, its interest in all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund), including investments thereon, and its rights under the Mortgage and the Assignment Agreement (as such terms are defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."
Tax Status of the Series 2015 Bonds	In the opinion of McNair Law Firm, P.A., Bond Counsel, assuming continuing compliance by the Authority and the Hotel Corporation with certain covenants, interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Series 2015 Bonds is not an item of tax preference in computing the alternative minimum taxable income of individuals or corporations. Interest on the Series 2015 Bonds will, however, be included in the computation of certain taxes including the computation of adjusted current earnings for purposes of calculating the alternative minimum tax for corporations. See "TAX EXEMPTION" for a brief description of alternative minimum tax treatment and certain other federal income tax consequences to certain recipients of interest on the Series 2015 Bonds. The Series 2015 Bonds and the interest thereon will also be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State, except estate, transfer and certain franchise taxes.
Risk Factors	An investment in the Series 2015 Bonds is subject to certain risks, including, but not limited to, dependence on the revenues from the operation of the Hotel as the sole source of payment of the Series 2015 Bonds, real estate investment considerations, potential ad valorem property tax (or fee-in-lieu thereof) liability, the Hotel Corporation's limited rights under the Qualified Management Agreement and the potential expiration, early termination or failure to renew of the Qualified Management Agreement, the enforceability of certain rights and remedies relating to the Series 2015 Bonds, the Indenture (as defined herein) and the various other agreements and contracts described in this Official Statement and other risks inherent in a transaction of this nature. See "RISK FACTORS."
Professionals Involved in the Offering	U.S. Bank National Association, Columbia, South Carolina, is serving as Trustee with respect to the Series 2015 Bonds. McNair Law Firm, P.A., Columbia, South Carolina, is serving as Bond Counsel, Parker Poe Adams & Bernstein, L.L.P., Columbia, South Carolina, is serving as counsel to the Authority and Nelson Mullins Riley & Scarborough, L.L.P., Myrtle Beach, South Carolina, is serving as counsel to the Hotel Corporation. Thomas E. Ellenburg, Esquire, Myrtle Beach, South Carolina, is serving as counsel to the City. The Underwriter is Wells Fargo Bank, National Association, Charlotte, North Carolina. Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, is serving as counsel for the Underwriter.

Continuing Disclosure

No financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2015 Bonds and the Authority will not provide any such information. The Hotel Corporation has undertaken to provide continuing disclosure to bondholders as described below, and the Authority will have no liability to the holders of the Series 2015 Bonds or any other Person with respect to such disclosures.

The Hotel Corporation has undertaken, for the benefit of the holders and beneficial owners of the Series 2015 Bonds and the participating underwriters (within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended) in this offering, to provide certain annual financial information and operating data relating to the Hotel Corporation by not later than seven months after the end of each Fiscal Year of the Hotel Corporation (presently ending June 30), commencing with its Fiscal Year ending June 30, 2015 (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events. The Annual Information will be filed by or on behalf of the Hotel Corporation 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 on behalf of the Hotel Corporation by DAC with EMMA (and with such State Information Depository, if any). The nature of the information to be provided in the Annual Information and the notices of certain events is described herein under the caption “CONTINUING DISCLOSURE” and in the form attached as Appendix E.

General

This Official Statement speaks only as of its date and the information contained herein is subject to change. Until the issuance and delivery of the Series 2015 Bonds, copies of the Indenture, the Loan Agreement, the Site and Support Facilities Lease, the Room Block Agreement and the Mortgage may be obtained from the Underwriter at 550 S. Tryon Street, 27th Floor, Charlotte, North Carolina 28202. Copies of these documents will be available for inspection at the principal corporate office of the Trustee after delivery of the Series 2015 Bonds. All information included herein has been provided by the Hotel Corporation except where attributed to other sources. Such information contained in this Official Statement and obtained from sources other than records of the Hotel Corporation, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE HOTEL CORPORATION SINCE THE DATES AS OF WHICH INFORMATION IS GIVEN. 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

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY \$16,405,000 REFUNDING REVENUE BONDS (CITY OF MYRTLE PROJECT), SERIES 2015

INTRODUCTION

This Official Statement, the outside and inside front cover pages (excluding prices and yields), the Summary Statement, maps and Appendices hereto, set forth certain information for use in connection with the issuance by the South Carolina Jobs-Economic Development Authority, a public body corporate and politic and an agency of the State of South Carolina (the "Authority") of \$16,405,000 aggregate principal amount of its Refunding Revenue Bonds (City of Myrtle Beach Project), Series 2015 (the "Series 2015 Bonds"). Proceeds from the sale of the Series 2015 Bonds will be used to (1) refund the outstanding South Carolina Jobs-Economic Development Authority Subordinate Revenue Bonds (Myrtle Beach Convention Center Hotel Project), 2001 Series B (the "Refunded Bonds") which were issued to finance the construction of a 402-room convention center hotel and a related parking garage contiguous to, and the refurbishment of certain support facilities (the "Support Facilities," as more particularly defined herein) for the Myrtle Beach Convention Center (the "Project," as more particularly defined herein), (2) fund a reserve fund as described herein, and (3) pay the costs of issuance of the Series 2015 Bonds. See "THE HOTEL" and "PLAN OF REFUNDING." The Sheraton Myrtle Beach Convention Center Hotel (the "Hotel") is held by the Myrtle Beach Convention Center Hotel Corporation (the "Hotel Corporation") pursuant to a long-term lease with the City. The Hotel is operated as a Sheraton Hotel pursuant to a Franchise Agreement for Relicensed Hotel entered into as of September 30, 2014 (the "License Agreement") among the Hotel Corporation, the Hotel and The Sheraton LLC, a Delaware limited liability company (the "Licensor"). The Licensor is a subsidiary of Starwood Hotels & Resorts Worldwide, Inc. ("Starwood"). The Hotel is operated by Interstate Management Company, LLC, a Delaware limited liability company (the "Manager") pursuant to a Qualified Management Agreement dated as of January 17, 2011 (the "Qualified Management Agreement"), among the Hotel Corporation and the Manager. The Series 2015 Bonds will be dated, mature and bear interest, and will be subject to redemption prior to maturity, as described on the cover page hereof, inside front cover and herein. All capitalized terms not otherwise defined herein shall have those meanings ascribed to such terms in Appendix C hereto.

Under the terms of a Second Amended and Restated Loan Agreement dated as of January 1, 2015 (the "Loan Agreement"), the Authority will lend the proceeds of the Series 2015 Bonds to the Hotel Corporation for the purposes described above, and the Hotel Corporation will agree to make payments in such amounts and at such times as will be sufficient to pay the principal of and the interest on the Series 2015 Bonds as the same become due and payable, and to make certain other payments with respect to the Series 2015 Bonds.

The Series 2015 Bonds are being issued pursuant to a Second Amended and Restated Trust Indenture dated as of January 1, 2015 (the "Indenture"), by and between the Authority and U.S. Bank National Association, Columbia, South Carolina, as trustee (the "Trustee"). Under the terms of the Indenture, the Authority will assign and pledge to the Trustee all of the Trust Estate (as defined under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Pledge of Trust Estate" herein).

The Series 2015 Bonds are limited obligations of the Authority, the principal of, premium, if any, and interest on which shall be payable by the Authority solely from a revenue-producing project or special source which includes the repayments, revenues, receipts and security described in the Indenture and derived by the Authority pursuant to the Loan Agreement, which repayments, revenues, receipts and security have been pledged and assigned to the Trustee to secure payments due with respect to the Series 2015 Bonds, all as described in and subject to the limitations set forth in the Indenture, for the benefit of the holders from time to time of the Series 2015 Bonds. The Series 2015 Bonds constitute an indebtedness payable only from a revenue-producing project or special source within the meaning of Article X, Section 13(9) of the Constitution of the State of South Carolina (the "State"), which source of payment does not include revenues from any tax or license. The Series 2015 Bonds and the interest and any premium, if any, thereon do not and shall never constitute a general obligation or indebtedness of the Authority or of the State within the meaning of any State constitutional provision or statutory limitation and do not and shall never constitute or give rise to a pecuniary liability of the Authority or of the State or any agency or political subdivision of the State or a charge against the general credit of the Authority or the State or any agency or political subdivision of the State or taxing powers of the State or any agency or political subdivision thereof. The Authority does not have taxing powers.

A description of the bond transaction, including summary descriptions of the Series 2015 Bonds, the Loan Agreement, the Indenture and certain related documents are included in this Official Statement. Certain definitions used in the documents contemplated by this transaction are set forth in APPENDIX C. Summaries of the Indenture, the Loan Agreement, the Subordination Agreement and the Mortgage (as such terms are defined in Appendix C) are set forth in APPENDIX D. The expected forms of the Continuing Disclosure Undertaking and opinion of Bond Counsel, appear in APPENDICES E and F, respectively. General information with respect to the City and certain demographic information with respect to Horry County, South Carolina (the "County") appears in APPENDIX G. Such descriptions, summaries and information do not purport to be comprehensive or definitive. All references herein to any documents relating to the Series 2015 Bonds are qualified in their entirety by reference to such documents, and references herein to the Series 2015 Bonds are qualified in their entirety by reference to the forms of Series 2015 Bonds which are set forth in the Indenture and the information concerning the Series 2015 Bonds which is set forth in the other documents referred to herein. During the period of the offering, copies of such documents will be available at the office of Wells Fargo Bank, National Association (the "Underwriter"), 550 S. Tryon Street, 27th Floor, Charlotte, North Carolina 28202 and thereafter, at the principal corporate trust office of the Trustee.

THE AUTHORITY

Organization

The Authority is a public body corporate and politic and an agency of the State created under and pursuant to the Constitution and laws of the State, including Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "Act").

General Powers

The Authority is authorized and empowered under the Act, particularly Section 41-43-110 thereof, to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in Section 41-43-160 of the Act in order to promote and develop the business and economic welfare of the State, encourage and assist in the location of new business enterprises in the State and in rehabilitation and assistance of existing business enterprises and in the promotion of export of goods, services, commodities and capital equipment produced within the State. The Authority is further authorized by Section 41-43-110 of the Act to issue revenue bonds payable by the Authority solely from a revenue producing source and secured by a pledge of said revenues in order to provide funds for any purpose authorized by the Act.

Officers and Directors

The Authority is governed by a nine-member Board of Directors. The Governor of South Carolina, with the advice and consent of the South Carolina Senate, appoints one director from each of the six congressional districts, and one director for the State at large who serves as Chairman. The State Governor and the Chairman of the South Carolina Department of Commerce serve as directors *ex officio*.

THE CITY

General

Myrtle Beach, South Carolina, named for wax myrtle trees growing wild along the shore of the Atlantic Ocean, was incorporated as a town in 1937 and as a city in 1957. It is the largest city in Horry County by area and population and is located on the coast of the State approximately 23 miles south of the North Carolina boundary and 90 miles north of Charleston, South Carolina. The City encompasses approximately 23.4 square miles.

The City is the center of a 60-mile long coastal beach known as the "Grand Strand" which extends from the southeastern border of North Carolina southward to Georgetown, South Carolina. The Grand Strand has some of the world's widest beaches, reaching nearly a quarter of a mile wide during low tide.

There are many more trees and wooded regions in the Grand Strand than are usually found in beach areas. The beaches are of white sand, and the coastal water is clear and unpolluted, as there are no harbors, shipping traffic, or major industries in the area. No rivers or streams drain into the Atlantic Ocean for a distance of nearly 30 miles. Certain demographic, financial and economic information concerning the City is included in “Appendix G – General Information Regarding the City of Myrtle Beach, South Carolina.”

Form of Government

On November 6, 1973, the City's residents voted to adopt the Council-Manager form of government. The City Council is the legislative body of the City and exercises the major responsibility of determining the policies and direction of the municipal government. The City Council is composed of six members and a mayor, who serves as the presiding officer. The City Council members and the Mayor are elected at-large to four-year terms. The City Council appoints the City Manager to serve as the chief executive officer. He administers the daily operations of the City through appointed executive staff members and department heads. At the present time, the City Manager is assisted by two Assistant City Managers, a Budget and Evaluation Office, Public Information Office, Human Resources and Finance Departments, as well as Departments of Public Works, Planning, Construction Services, Cultural and Leisure Services, Convention Center, Library, Police and Fire.

The members of the City Council, their occupations, the number of consecutive years (tenure) each has served on the City Council, and the expiration dates of their current terms are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Number of Years Served</u>	<u>Expiration Date of Current Term</u>
John T. Rhodes, Mayor	Executive Director, Beach Ball Classic	8	January 2018
Michael Chestnut, <i>Mayor Pro Tempore</i>	Restaurateur	13	January 2016
W. Wayne Gray	Banker	12*	January 2018
Clyde H. “Mike” Lowder	Private Investigator	4	January 2018
Susan Grissom Means	Management Consultant	14	January 2016
Philip N. Render, DMD	Technical College Administrator	10	January 2016
Randal G. Wallace	Insurance & Direct Sales	12	January 2018

*Mr. Gray served a four-year term from January 1998 to January 2002.

JOHN T. RHODES, Mayor, Mr. Rhodes was elected Mayor in November 2005 and re-elected in 2009. In 2013, he was once again re-elected to a term of office that will extend through January 2018. Mr. Rhodes, who attended the University of South Carolina (Coastal Carolina), is Executive Director of the Beach Ball Classic, an organization that annually produces a prestigious holiday invitational basketball tournament for high school teams from around the United States. He has previously owned and operated various businesses in the hospitality industry in Myrtle Beach. He has served as General Manager of a major local resort hotel and as Assistant Sales Director for the Hilton Myrtle Beach. Prior to his election as Mayor, he served on the Board of Directors of the Hotel Corporation.

JOHN G. PEDERSEN, City Manager. B.A., University of Delaware; M.P.A., University of North Carolina at Chapel Hill. Mr. Pedersen, was appointed in November 2014 and serves at the pleasure of City Council. Before coming to Myrtle Beach, he spent 24 years with the City of Durham, North Carolina, serving as Assistant City Manager there from March 1998 through February 2002. Prior to that, he served Durham as Finance Director, Budget Director and Budget Analyst. Mr. Pedersen, who served the City as Assistant City Manager of Myrtle Beach for 12 years prior to his appointment, succeeds Thomas E. Leath who retired in 2014 following 27 years of service as City Manager.

THOMAS E. ELLENBURG, City Attorney, B.A., Clemson University, J.D., University of South Carolina. Mr. Ellenburg was appointed City Attorney in May 2000 and reports to City Council. Prior to that appointment, he was Assistant City Attorney for the City of Columbia, South Carolina, and a staff attorney for the South Carolina Supreme Court.

Senior Management Team

The City Manager employs a senior management team consisting of himself, two assistant city managers and a chief financial officer. One assistant city manager position is vacant at this time.

E. RONALD ANDREWS, P. E., Assistant City Manager. M.S. in Civil Engineering, University of Alabama, Registered Professional Engineer (SC). Mr. Andrews, whose chief areas of responsibility include public works and cultural and leisure services, was appointed in 2005 after serving as Public Works Director for six years. Prior to joining the City in 2002, he served as Executive Director of the Horry County Solid Waste Authority for eight years. He was with the City previously, serving as Public Works Director from 1981 to 1986. Mr. Andrews has also served as Horry County Engineer and as City Engineer for the City of North Augusta, South Carolina.

MICHAEL W. SHELTON, CGFO, Budget and Evaluation Director, B.A., Furman University; M.A., Webster University. Mr. Shelton, a Certified Government Finance Officer (CGFO), serves as the City’s chief financial officer, responsible for the City's financial planning, policy research, operating and capital budgeting and debt management. He was appointed in May 1989 to his current position after serving three years as Finance Director and assumed additional responsibilities as a member of the senior management team in December 2014 following Mr. Pedersen’s appointment. Before coming to Myrtle Beach, Mr. Shelton was a senior budget analyst for the City of Charlotte, North Carolina.

The City Manager is also assisted by 13 other department or division heads who direct the operations of various City services including Police, Fire, Public Works, Parks, Recreation, Planning, Construction Services, Convention Center, Human Resources, Finance, Public Information, Risk Management and the City Clerk’s office.

THE HOTEL CORPORATION

Organization

The Hotel Corporation is a public benefit nonprofit corporation incorporated under the laws of the State on July 5, 2000. The Hotel Corporation was organized at the direction of, and is controlled by, the City for the purpose of assisting the City in the financing, acquisition, construction and operation of the Hotel. The Hotel Corporation has received a private letter ruling from the Internal Revenue Service confirming its status as a corporation for which the income it derives as a result of its activities will be excludable from gross income under Section 115 of the Internal Revenue Code of 1986, as amended (the “Code”). The address of the Hotel Corporation is 2101 North Oak Street, Myrtle Beach, South Carolina 29577. The Hotel Corporation has no assets or operations other than those related to the Hotel.

Directors

The Hotel Corporation is governed by a seven-member Board of Directors. The following table sets forth the names and occupations of the members of the Hotel Corporation's Board of Directors, as well as their years in office and the expiration of their terms.

<u>Name</u>	<u>Occupation</u>	<u>Years in Office</u>	<u>Term Expires</u>
Grant Kuhn, President	Church Administrator	11	2017
Frank DuRant	Attorney	14	2015
Martha Sasser Hunn	College Administrator	3	2017
G. Yvette Jefferson	Exec. Director, Children’s Museum of SC	1	2016
J. Louis LaBruce	Banker	8	2015
Thomas Maeser, Sr.	Pres. & CEO, HGTC Foundation	6	2015
Judy Rodman	Retired Educator	8	2016

THE HOTEL

General Description

The Hotel is contiguous to the Myrtle Beach Convention Center (the “Center”) between the beach and the Broadway at the Beach entertainment area. This location allows guests at the Hotel to have contiguous, climate-controlled access to the Center and be within walking distance of the beach and nearby entertainment areas. The rooms on the east side of the Hotel have ocean views, and the rooms on the west side of the Hotel have panoramic views of Broadway at the Beach.

The Hotel, which is known as “The Sheraton Myrtle Beach Convention Center,” consists of 402 rooms and its parking facilities which accommodate 412 cars. Amenities in the Hotel include a three-meal restaurant, lounge, bar, gift shop, enclosed pool with a roof-top plaza, and an exercise and game room. The Hotel features a high level of finish, including stone counter tops and floors, premium carpeting, wood paneling and a high level of detail throughout all the public spaces and guestroom floors.

The Support Facilities consist of 32,500 square feet of meeting space, comprising an 18,000 square foot ballroom and 14,500 square feet of breakout meeting and banquet space, previously completed by the City as part of the expansion of the Center completed in 1994. Because the Hotel is attached to the existing Support Facilities, there was no need to build similar facilities in the Hotel. The Support Facilities are subject to certain use restrictions as described in the Site Lease and Support Facilities Sublease dated as of June 1, 2001, as amended in 2004 and 2005 (the “Site and Support Facilities Lease”), between the City, as lessor, and the Hotel Corporation, as lessee. See “--Site and Support Facilities Lease” herein.

The Hotel's main public spaces are located on its first two levels and align with the Center's floor heights. The Hotel connects with the main lobby of the Center on the ground floor and the existing pre-function space portions of the Support Facilities located on the ground and second floors. The two main public floors are an extension of the Center's pre-function area and contain the Hotel lobby, restaurant, lounge, and bar areas. Back-of-house support areas are hidden from public view between the Hotel tower and the Center.

Ten room-floors begin at the third level of the Hotel, which is equal in height to the top of the Center's parapet. The top floor contains a two-level presidential suite with ocean and entertainment area views. The Hotel is located in the downtown district of Myrtle Beach.

The following table shows the average room rate and average occupancy rate for the Hotel for the years indicated.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Average Room Rate Per Night	\$98.54	\$104.26	\$106.11	\$103.47	\$112.50
Average Occupancy Rate	53.3%	57.4%	60.7%	62.1%	64.7%

Source: Hotel Corporation

The Hotel Site

The Hotel and parking facilities were constructed on an approximately 2.71 acre footprint of land located at the northwest corner of Oak Street and 21st Avenue in the City (the “Hotel Site”). The Hotel Site is in front of the Center between Oak Street and the meeting and ballroom space of the Center. The Center is located on approximately 30 acres of land. The Hotel Corporation's leasehold interest in the Hotel Site and the Support Facilities is subject to the lien of the Mortgage in favor of the Trustee. See “--Site and Support Facilities Lease,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Mortgage” and in Appendix D under the heading “MORTGAGE.”

Site and Support Facilities Lease

The following summary of the Site and Support Facilities Lease is qualified by reference to the actual agreement, which is available upon request from the Underwriter or the City, during the period of the offering, and thereafter from the Trustee.

The City and the Hotel Corporation have entered into the Site and Support Facilities Lease, pursuant to which the City agrees (a) to lease the Hotel Site for an annual rental payment equal to (1) one dollar due on the final Business Day of each Bond Year (as such terms are defined in Appendix C) plus (2) three percent of Project Gross Revenues (as defined in Appendix C) due on the final day of each Bond Year (the "Lease Rental Amount"), plus (3) amounts necessary to reimburse the City for debt service paid by the City on certain hospitality fee revenue bonds (the "City Bonds Rent," comprising part of the Additional Lease Payments, as such term is defined in Appendix C), and (b) to sublease the Support Facilities for an annual rental payment equal to one dollar due on the final Business Day of each Bond Year. The term of the Site and Support Facilities Lease expires at the earlier of June 1, 2051, or such termination date as mutually agreed by the parties thereto after the payment in full of the Series 2015 Bonds or the provision for the payment of the Series 2015 Bonds being made in accordance with the Indenture. The Site and Support Facilities Lease restricts the use of the Hotel Site to the operation of a hotel and related support services and the Support Facilities to such uses solely in support of the Hotel and the Center, such as meeting rooms, ballrooms, kitchen, storage and related purposes.

Pursuant to the Site and Support Facilities Lease, the City and the Hotel Corporation have agreed that the City, through the Center's staff and employees, will set up chairs and tables for all events scheduled by the Hotel Corporation, or any hotel manager engaged by it, and held in the Support Facilities, for which the Hotel Corporation will reimburse the City for direct labor costs for such event and the portion of the annual costs related to the maintenance and repair costs of any furnishings and/or equipment allocable to such event. In addition, the Hotel Corporation and the City have agreed in the Site and Support Facilities Lease that the City, upon a determination thereby that emergency conditions threaten or exist, may use the Hotel (including all rooms on the third floor thereof and any other rooms if deemed necessary under the circumstance), the Support Facilities (including several meeting rooms and the main kitchen) and associated equipment, systems, materials and supplies to conduct those operations the City deems essential to the public welfare, until such time as the City determines that the emergency conditions have abated. In exchange therefor, the City has agreed to reimburse the Hotel Corporation for certain costs, to the extent such costs are not covered by the proceeds of any recoverable insurance policy, including the cost of such use, any loss of revenue arising directly out of such use and the cost to return the premises to their pre-emergency condition.

The Site and Support Facilities Lease provides that it is subject to all of the terms and conditions of the Room Block Agreement (as defined in Appendix C); the Hotel Corporation has covenanted in the Site and Support Facilities Lease to comply with, and require the Manager to comply with, all terms and conditions thereof. See "--Room Block Agreement."

The City has covenanted in the Site and Support Facilities Lease that it will pay, by March 1 of the Fiscal Year (as defined in Appendix C) in which the appropriation described below in this paragraph was budgeted, into the April Subaccount and the October Subaccount of the Debt Service Reserve Fund (as such terms are defined in Appendix C) any amounts required to be paid therein (the "City Appropriations"), following receipt of a notice of deficiency therein pursuant to the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Debt Service Reserve Fund." The Hotel Corporation and the City have further covenanted in the Site and Support Facilities Lease that the City's obligation to make any City Appropriation is subject to there not having occurred an Event of Nonappropriation with respect to such payment. "Event of Nonappropriation" means a failure of the City Council of the City (in its discretion) to include in the annual budget of the City an amount sufficient to make any City Appropriation; provided, however, that such Event of Nonappropriation will be deemed to occur on the September 1 following the receipt of notice; provided further, that an Event of Nonappropriation will not occur on such September 1 if prior to such September 1 the City amends its annual budget for such Fiscal Year to include therein an amount sufficient to make all such City Appropriations. The Hotel Corporation and the City understand and intend that the obligation to pay City Appropriations constitutes a current expense of the City and will not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Site and Support Facilities Lease constitute a pledge of the general tax revenues, funds, moneys or credit of the City.

From and after the earlier to occur of (1) an Event of Nonappropriation, or (2) failure to pay any City Appropriation by March 1 of the Fiscal Year in which a notice of deficiency with respect thereto was delivered, the City shall not be entitled to any payment of rent pursuant to the Site and Support Facilities Lease.

Room Block Agreement

The Room Block Agreement provides that, during the term thereof, the City may require the Hotel Corporation and the Manager to offer an Event Room Block to Potential Center Customers (as such terms are defined below) at a pre-determined rate as set forth therein; provided, however, that (a) the number of Event Nights (as defined herein) requested in such Event Room Block does not exceed 14 nights per calendar month, and (b) the total number of rooms requested to be blocked does not exceed the number of rooms available for the Event Room Block on such night up to a maximum of 75% of the available rooms at the Hotel (the "Available Rooms"). The number of rooms in the Hotel blocked for these purposes under the Room Block Agreement for City-Wide Event (as defined below) bookings decreases as the date of booking is closer to the date of the event (such number of block rooms being referenced to herein as the "Event Room Block"). If a Potential Center Customer and the Manager have signed a contract with respect to a City-Wide Event and the requisite deposit has been made, then the Support Facilities (if still available at the time such reservation is made) shall be made available to the Potential Center Customer at the usual and customary rates. The Manager may withdraw offers previously made with respect to a City-Wide Event for which a contract has not been signed (for any reason other than the Manager's breach of its obligations thereunder) by the time specified in the Room Block Agreement prior to such City-Wide Event. Neither the Hotel Corporation nor the Manager is obligated to reserve rooms in the Hotel for City-Wide Events for any of the other days in such calendar month and the remaining rooms may be booked during the 14-day period contemplated by the Room Block Agreement subject to the discretion of the Hotel Corporation or the Manager as to rates and availability.

An event shall be considered a "City-Wide Event", and therefore subject to receive all benefits of the Room Block Agreement, if an event meets all of the following three requirements:

- (a) a convention, trade show or other event during which (i) a Potential Center Customer proposes to use a minimum of 25,000 gross square feet of exhibit space in the Center and (ii) such Potential Center Customer, in anticipation of the event, requests that hotels in the City (including the Hotel) and the surrounding metropolitan areas provide 500 guest rooms or more, in the aggregate, for one day or more while the event is held at the Center;
- (b) requests a block of 150 or more rooms at the Hotel for one night or more while the event is being held;
and
- (c) utilizes an amount of the Support Facilities as is usual and customary for a hotel event of its size (based on the number of rooms blocked in the hotel) paying usual and customary rates for rental or food and beverage services.

"Event Nights" mean any night during a City-Wide Event that (a) the City has required the Hotel Corporation or the Manager to extend an Event Block Rate and (b) the number of rooms blocked at the Hotel by the City for said City-Wide Event is not less than 75% of the rooms blocked at the Hotel by the City for the night or nights during a specific City-Wide Event that a Potential Center Customer requests the highest number of guest rooms to be blocked of such City-Wide Event. A "Potential Center Customer" is a person, entity, group or association (or any combination thereof) who is planning a City-Wide Event (as defined herein) that will commence at the requisite number of months (ranging from 24 to 18) after the date that the City requests from the Hotel Corporation an Event Room Block for such Potential Center Customer.

Each Event Room Block will be offered at a rate determined in accordance with the Room Block Agreement (the "Event Block Rate"), which Event Block Rate is based upon the previous 12 calendar month average daily rates, as adjusted for inflation.

The Room Block Agreement also imposes an obligation on the City to operate and maintain the Center at a standard of quality consistent with comparable, high-quality, primary convention centers of similar size, configuration and age, ordinary wear and tear and damage from events of casualty excepted. Such provisions of the Room Block Agreement constitute restrictive covenants which run with the Hotel Site and are binding upon each owner of the Hotel Site, upon any and all operators or managers of the improvements thereon, and upon each and every other person or entity claiming or holding any interest therein. The Room Block Agreement provides that its obligations shall inure to the benefit of the City and shall apply to any hotel now or hereafter located on the Hotel Site or any portion thereof.

THE CONVENTION CENTER

General Description

The 249,800 square foot Center is owned and operated by the City as a Department of the City and is situated within walking distance to the beach and Broadway at the Beach. The Center is located in an entertainment district that includes many dining, shopping and entertainment options. The Center has 100,800 square feet of column-free exhibition space, 14,500 square feet of meeting space, 18,000 square feet of ballroom space, portable seating to accommodate up to 10,000 people, and 2,300 surface parking spaces.

The Center has operated at its existing site since October 6, 1967. The City completed a \$23.4 million expansion and renovation of the Center in 1994. The Center is physically connected to the Hotel. The Center leases the 100,800 exhibit hall (or portions thereof) directly to event promoters. The Center recently completed a \$12 million overhaul of all HVAC equipment and roofing.

In the first quarter of 2015, the Myrtle Beach Convention Center campus will welcome the opening of the Myrtle Beach Sports Center (the "Myrtle Beach Sports Center"), a 100,000 square-foot complex that will feature 72,000 square feet of column-free event space, seating for over 2,000 attendees and floor space to accommodate up to eight basketball courts or sixteen volleyball courts. The Myrtle Beach Sports Center will be owned by the City, operated by the Sports Facilities Advisory Corporation ("SFA") and marketed jointly by SFA and Visit Myrtle Beach, the Myrtle Beach Convention and Visitors Bureau. Several times a year the Myrtle Beach Convention Center and Myrtle Beach Sports Center will co-host events attracting up to 15,000 attendees.

The Center's most prominent attraction is the destination itself. Myrtle Beach is one of the top recognized destination brands in the United States and it is not uncommon for the City to compete for convention business with much larger brands such as Las Vegas and Orlando. The recent overhaul and expansion of the Myrtle Beach International Airport enables easy access in a modern environment. Primary target markets for Center users include corporate and association sponsored trade shows and conventions, sports conventions and competitions, and large faith-based gatherings.

Over the past five years, the events housed at the Center have consumed an average of approximately 165,000 room nights annually from neighboring hotels. The Center generated nearly 163,000 room nights in Fiscal Year 2014 and events licensed in Fiscal Year 2015 are expected to generate 168,000 room nights. Approximately 30 percent of such hotel room nights are typically consumed at the Hotel.

Staffing Descriptions

The General Manager of the Center reports to the City Manager and manages and directs the overall operation of the Center. The General Manager is assisted by a staff of 36 full-time employees including an Operations Manager, a Facilities Engineer, and a Sales and Marketing Director.

The Operations Manager manages a staff of 13 full-time employees and is responsible for the setup and breakdown of events, the equipment and material required for events, project scheduling and maintenance and general upkeep and maintenance of the building and grounds.

The Facilities Engineer supervises a staff of four full-time employees and is responsible for setup and breakdown of events, installation of electrical and other utilities for event organizers and exhibitors, scheduling and performing routine maintenance on building and equipment and negotiating contracts for facility upkeep services.

The Director of Sales and Marketing supervises a staff of nine full time employees, including three sales managers and two event managers. The Director is responsible for facility marketing, advertising and public relations activities for the Center and develops and implements booking policies, execution of licensing agreements, and overall customer satisfaction initiatives. The Director is assisted by three sales managers, two event managers and one event coordinator. In addition, there is a marketing administrator and an administrative assistant. The sales managers solicit conventions, trade shows, and public events. All work in conjunction with their counterparts at the Hotel to ensure a smooth transition from solicitation to execution of the customer's experience in both facilities.

Competitive Position

The Center is marketed competitively on the basis of the appeal, value and variety of the destination of Myrtle Beach and its many recreational, dining, shopping and entertainment venues and attractions. In addition to the design of the Center, its service orientation and central location are very positive benefits to events planners. Further, the Center offers limited exclusive arrangements with convention services providers, which allows events planners to make many of their own choices with respect to ancillary convention services.

To market the Center, the Center's staff considers five factors to identify and search for prospective event bookings, including (a) events which will draw 500 or more attendees, (b) events which will meet in the southeastern portion of the United States, at least on a rotating basis, (c) events which will meet at convention centers, (d) events which will meet in a resort destination and (e) events which will meet in the spring, fall or winter seasons of the year. The Center's staff has not historically targeted events which meet in summer months because that is considered the "high season" in the City in which large blocks of hotel rooms are generally not available or, if available, are available at their highest room rates.

Most of the promotions budget for the Center is allocated to print media advertising, specifically regional and national meetings and convention industry trade journals. The Center's staff chooses the publications in which advertising for the Center appears based on the meetings industry trade organizations to which the Center belongs, readership numbers, distribution concentration by region, planner demographics and independent advertising rating surveys. The Center also advertises in specific issues of publications that editorially feature the City, the State or southeastern convention centers, and, if possible, coordinates its advertising with ads run by the Myrtle Beach Area Convention Visitors Bureau (the "Bureau"). Thus, the Center benefits from a larger spread of advertising coverage because it appears in the ads it places as well as such ads that are run and paid for by the Bureau.

The Center's primary targeted markets are regional and national associations and trade show events. The Center's staff travel to approximately 20 meetings industry trade events each year. For these events, the staff sets up a booth and talks with meeting planners and events managers about the benefits of selecting the City as a future event site. Much of the rest of the Center's sales managers' time is spent telemarketing, sending and responding to e-mail and sales inquiries originating from the Center's website and tracing contacts on a regular basis, in order to keep the Center in the best possible position within the marketplace.

Event Solicitation Priorities & Results

The Center maintains an event solicitation policy (or guideline) that focuses upon achieving the greatest economic impact possible for the City, its hotels, restaurants and entertainment outlets. The Event Solicitation Priorities as set forth in the business plan and adopted by the City Council in 1999, assigns the following priorities to potential events:

<u>Priority</u>	<u>License Execution</u>	<u>Rooms Occupied</u>	
		<u>Recurring Events</u>	<u>One Time Events</u>
First	Anytime	1,000 +	1,500 +
Second	Five Years Prior	500-999	750-1,499
Third	Two Years Prior	300-500	500-700
Fourth	Eighteen Months Prior	300	500

Events are not considered definite until a license has been executed and initial deposits (25% of rental) are received.

The following table includes the number of hotel room-nights consumed and total daily attendance of events licensed to lease the Center for Fiscal Years 2011 through 2014 along with the number of events, the estimated number of rooms occupied and total daily attendance of events licensing space in Fiscal Year 2015.

<u>Fiscal Year</u>	<u>Number of Events</u>	<u>Hotel Rooms Generated</u>	<u>Total Daily Attendance</u>	<u>Exhibit Hall Occupancy</u>
2011	163	170,250	514,900	62%
2012	154	172,600	542,075	65
2013	168	155,750	527,600	63
2014	163	162,200	528,400	62
2015	178	168,000	537,500	65

Source: Myrtle Beach Convention Center

The following table shows the number of events, projected hotel rooms generated and total daily attendance of events that have already executed a convention center license as of November 2014 for Fiscal Years 2016 through 2019.

<u>Fiscal Year</u>	<u>Number of Events</u>	<u>Estimated Hotel Rooms Generated</u>	<u>Estimated Total Attendance</u>
2016	147	155,000	475,500
2017	125	137,500	435,750
2018	107	125,800	405,000
2019	93	108,900	395,500

Source: Myrtle Beach Convention Center

For the past seven Fiscal Years, the annual exhibit hall occupancy rate, based on the days used each year, has ranged from 61% to 66% and has averaged 64%. Approximately 80% of events executing licenses to use the Center return either annually or on a rotational basis.

Biographical Information

Brief biographical information for the General Manager and the Director of Sales and Marketing of the Center follows:

PAUL T. EDWARDS, General Manager. A.S. in Accounting, Florence/Darlington Technical College. Mr. Edwards was hired as City Accountant for the City in December 1985 and was promoted to Finance Manager in July 1990. Mr. Edwards was appointed as Interim Director of the Center in July 1999 and became the General Manager of the Center in January 2000. Prior to his joining the City in 1985, he was a cost accountant with Grove Manufacturing in Conway, South Carolina, and a supply petty officer in the U.S. Navy's Mediterranean Fleet.

BRIAN S. MONROE, Director of Sales and Marketing. Mr. Monroe joined the Center team in March of 2005 and leads the division charged with maximizing the economic impact of the convention center on local hospitality businesses. Mr. Monroe has served 30 years in the field of hotel and convention center marketing. Prior to his arrival in Myrtle Beach, Mr. Monroe held a similar position at the Charlotte Convention Center for 14 years. His background includes leadership in large convention and luxury hotels in Washington D.C. Mr. Monroe is active in the International Association of Venue Managers, Inc., as well as the International Association for Exhibitions and Events, where he has served as a director and author of the association's textbook for certification of exhibition management as it relates to venue selection and services.

OPERATION OF THE HOTEL

The Hotel is managed and operated by Interstate Management Company, LLC, a Delaware limited liability company and a wholly owned subsidiary of Interstate Hotels & Resorts, Inc. ("Interstate"). Interstate is a leading U.S.-

based global hotel management company. Interstate and its affiliates operate over 400 hotels, representing over 78,000 rooms on three continents and 13 countries, under 49 franchise brand names and independently branded hotels. Interstate is a wholly-owned subsidiary of a 50/50 joint venture between subsidiaries of Thayer Lodging Group and Jin Jiang Hotels.

Qualified Management Agreement

Term

The Qualified Management Agreement was entered into on January 17, 2011 with an effective date of April 1, 2010 (the "Commencement Date") and ends on March 31, 2020 (the "Management Term"), unless earlier terminated in accordance with the provisions thereof.

Operating Standards

The Qualified Management Agreement obligates the Manager to operate and maintain the Hotel at a level comparable to hotels of similar class and standing in the region in which the Hotel is located, and in a physical condition no less than that as of the Commencement Date, taking into account the maintenance and repairs and capital improvements required throughout the term of the Qualified Management Agreement, all in accordance with the Qualified Management Agreement (the "Operating Standards") and in such a manner as to comply in all respects with the operating standards of the Sheraton system, the "Sheraton" brand and the terms and provisions of the License Agreement, or any other system, brand or related brand or franchise of the Hotel Corporation then in effect for the Hotel.

Use and Operation

The Qualified Management Agreement designates the Manager as the exclusive independent contractor to operate the Hotel in accordance with the Operating Standards. Included in the Manager's authority is the right to negotiate and enter into necessary contracts for labor and supplies, subject to the approval of the Hotel Corporation in the case of certain larger or longer term contracts or certain contracts with affiliates of the Manager.

Employees of the Hotel will be employees of the Manager or affiliates of the Manager, subject to the obligation of the Hotel Corporation to reimburse the Manager for wages, salaries and other expenses as defined in the Qualified Management Agreement. The employment of certain key personnel is subject to the approval of the Hotel Corporation.

The Manager is responsible for and oversees the food and beverage concession operations of the Center.

Accounting System

The Manager has agreed to keep the Hotel's financial books and records so that they reflect the results of Operation of the Hotel in accordance with the Uniform System of Accounts (as defined in Appendix C). The Manager will establish such deposit accounts ("Clearing Bank Accounts") as it determines necessary and appropriate in connection with the operation of the Hotel into which all receipts with respect to the Hotel will be deposited. At the end of each business day, all amounts on deposit in the Clearing Bank Accounts, other than amounts that the Manager reasonably believes are attributable to certain governmental taxes, levies or charges, or gratuities collected for the benefit of employees, will be transferred by wire transfer to the Operating Expense Account (as defined in Appendix C).

Operating Expenses (as defined in Appendix C), including the Base Management Fee, the Interstate Centralized Services Fee and the Executive Management Fee (as such terms are defined herein), shall be paid by Manager from amounts on deposit from time to time in the Operating Expense Account. Amounts on deposit in the Operating Expense Account will be made available to or upon the direction of the Manager upon delivery by the Manager to the Trustee of a request for disbursement or requisition or by check or draft for funds made by the Manager; except that requests for payment, disbursement, requisition, check or draft for funds in excess of \$80,000, with the exception of payroll payments, must be approved by the Hotel Corporation. If at any time during a month during the term of the Qualified Management Agreement the Manager determines that the amount available or expected to be available in the Operating Expense Account for such month will be less than the amount necessary to pay Operating Expenses for such month, the Manager will submit a written request to the Trustee and the Hotel Corporation for additional funds (the "Shortfall") for deposit to the Operating Expense Account (each, an "Additional Funding

Request”). Following the receipt of the Additional Funding Request, the procedure for funding the Operating Expense Account in response to the Additional Funding Request will be as provided in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Funds and Accounts--Deficiencies Within Funds and Accounts” and Appendix D under the heading “INDENTURE--Indenture Provisions With Respect to Certain Funds and Accounts--Transfers Between Funds and Accounts.” The Hotel Corporation must give prior written approval with respect to the funding by the Trustee to the Operating Expense Account of any amounts which, together with Shortfalls previously requested in other Additional Funding Requests relating to the same month, are in excess of 30 percent of the amount budgeted for Operating Expenses for the month (the amount in excess of 30 percent being referred herein as the “Shortfall Balance”). The Hotel Corporation will either approve or disapprove, in whole or part, the transfer to the Operating Expense Account of amounts representing a Shortfall Balance within no more than five business days of the Hotel Corporation’s receipt of the Additional Funding Request.

The Manager will prepare and submit an Operating Plan and Budget, including the Capital Budget (as such terms are defined in Appendix C), to the Hotel Corporation for each Operating Year at least 60 days prior to the beginning of each Operating Year during the term of the Qualified Management Agreement for the use of the parties in planning for the management and operation of the Hotel. The Operating Plan and Budget, including the Capital Budget, is subject to the approval of the Hotel Corporation, in accordance with the process set forth in the Loan Agreement, which approval is subject to the Expert Resolution Process (as defined in Appendix C) set forth in the Qualified Management Agreement. If the Hotel Corporation fails to notify the Manager of the approval of the proposed Operating Plan and Budget, including the Capital Budget, within 30 days after receipt from Manager, it will be considered approved. The Trustee will use the Operating Plan and Budget to determine the amounts to be deposited in the Operating Expense Account, the Taxes and Insurance Fund, the Capital Reserve Primary Account and the Additional Loan Fund (as such terms are defined in Appendix C). See “REVENUE COVENANT AND CERTAIN OTHER COVENANTS--Annual Budget.”

Project Management Fees

Throughout the term of the Qualified Management Agreement, the Manager will earn, in respect of its management services, an annual fixed fee (the “Base Management Fee”) that will be adjusted annually in accordance with the change in the RevPAR of the RevPAR Competitive Set (excluding the Hotel) (as such terms are defined in Appendix C) for the 12-month period ending December 31 of the prior calendar year (the “Index Adjustment”). The Hotel Corporation also will pay Manager the Subordinate Management Fee (as such term is defined in Appendix C) through the remainder of the term of the Qualified Management Agreement. The Subordinate Management Fee is calculated as a percentage of the Project Gross Revenues for such Operating Year. The Hotel Corporation also pays a fee intended to provide for the payment of all expenses related to hotel executive staff and corporate staff employees (the “Executive Management Fee”) whose salaries, wages and benefits are not otherwise part of Operating Expenses. The Executive Management Fee is payable evenly over 12 months of the year, and is adjusted annually in accordance with the consumer price index.

The Hotel Corporation will also reimburse Manager for all reimbursable expenses (determined in accordance with the terms of the Qualified Management Agreement) incurred by Manager in fulfilling its obligations under the Qualified Management Agreement. In addition, the Hotel Corporation will pay the Manager a monthly centralized services fee (the “Interstate Centralized Services Fee”) for any support programs provided by the Manager to the Hotel which include revenue management services, national corporate sales, wide area access and support and Delphi systems support (“Interstate Centralized Services”). If new programs are added at the election of the Hotel Corporation, the Interstate Centralized Services Fee will be adjusted to reflect the inclusion of the additional programs. The Interstate Centralized Services Fee will be calculated as a periodic fixed fee that will be adjusted annually in accordance with the consumer price index.

The Base Management Fee and the Interstate Centralized Services Fee are payable 15 days following the end of each month, except that if such scheduled payment date does not fall on a business day, the payment date will be on the following business day. The Subordinate Management Fee is payable 30 days after the Fiscal Year end.

The Base Management Fee, the Interstate Centralized Services Fee and the Executive Management Fee each are considered an Operating Expense and will be paid out of the Operating Expense Account. The Subordinate Management Fee will be paid out of the Cash Trap Fund (as defined in Appendix C). If the amounts available in the Cash Trap Fund in any Operating Year are insufficient to pay the full Subordinate Management Fee due, then the unpaid

portion of the Subordinate Management Fee will accrue and earn interest at 8%, but not be paid to the Manager during such Operating Year. Such accrued amounts will be paid to the Manager to the extent there are sufficient funds in any subsequent Operating Year. In any event, all such amounts will be paid in full upon termination or expiration of the Qualified Management Agreement. Provided sufficient cash is available pursuant to the requirements of the Indenture, any Base Management Fees, Executive Management Fee, reimbursable expenses, Interstate Centralized Services Fees and Subordinate Management Fees due Manager that are not paid when due will bear interest at the lesser of 14% per year or the one-month LIBOR rate plus eight percent. See “SOURCES OF SECURITY AND PAYMENT FOR THE BONDS--Funds and Accounts--Flow of Available Revenues” herein for a description of the amounts and order of priority with respect to funding fees due to the Manager.

If, for any reason, the Qualified Management Agreement should expire or be terminated prior to its stated expiration date, the management fees for the year of such termination shall be prorated on a per diem basis.

General Covenants and Provisions

Pursuant to the Management Agreement, the Manager has agreed to provide the following services directly or through its affiliates:

- (a) purchasing programs utilizing the buying power of Manager, its affiliates and the businesses they manage;
- (b) property management and point of sale systems developed to facilitate the operation of the Hotel and its integration into the System; and
- (c) As part of the Hotel Corporation's annual review and approval of the Operating Plan and Budget, the Hotel Corporation may, in its sole and absolute discretion, grant approval for Manager to enter into certain purchasing, maintenance, service or other contracts with respect to the Hotel (collectively, “Multi-Property Programs”) pursuant to which Manager or affiliates of Manager receive rebates, discounts, cash or other incentives, administration fees, concessions, profit participations, stock or stock options, investment rights or similar payments or economic consideration from or in, as applicable, the vendors or suppliers of goods or services provided under such Multi-Property Programs.

Manager has agreed to operate the Hotel subject to the following:

- (a) Within the constraints imposed by the Room Block Agreement, Manager will determine and implement the terms of admittance, charges for rooms and commercial space, and charges for entertainment, food and beverages. Manager will also establish reasonable policies that provide for: (i) charging varying rates to different customers or groups of customers; (ii) permitting individuals to occupy guestrooms at rates lower than published rates; and (iii) permitting individuals to dine at the Hotel's restaurants and lounges at rates lower than published rates.
- (b) Manager may authorize unbudgeted Capital Expenditures (as defined in Appendix C) of up to \$50,000 without the Hotel Corporation's approval.
- (c) Manager will use reasonable efforts to purchase goods and services for the Hotel on reasonable terms taking into account customary factors, including price, quality, quantities, delivery dates and Operating Standards.
- (d) Manager's operation of the Hotel pursuant to the Qualified Management Agreement and all of the rights and obligations thereunder are subject and subordinate to the License Agreement. Manager agrees to comply with and perform all applicable covenants and obligations of the Hotel Corporation under the License Agreement, including, without limitation, the use and protection of Licensor's confidential and proprietary information. Manager further agrees that it will not, by its act or omission to act, cause any default under the License Agreement so long as the Hotel Corporation provides sufficient funds and maintains the Hotel in a manner that enables Manager to comply with the terms of the License Agreement. If such a default is caused solely by the act or omission of Manager, Manager shall undertake a good faith effort to resolve such default within the applicable cure period provided therein. If any such default results in the Hotel Corporation's breach of the License Agreement or the imposition of additional fees to the Hotel Corporation under the License Agreement, Manager shall be liable to, and has agreed to indemnify and reimburse the Hotel Corporation for all damages arising as a result of such breach or imposition of additional fees.

(e) Subject to and in accordance with the Subordination Agreement, the Qualified Management Agreement and all of the rights and obligations thereunder are subject and subordinate to the Indenture, the Loan Agreement and the Mortgage. Manager has agreed to comply with and perform all applicable covenants and obligations under the Indenture, the Loan Agreement and the Mortgage. Manager has further agreed that it will not, by its act or omission to act, cause a default under the Indenture or the Loan Agreement or the Mortgage. If such a default is caused solely by the act or omission of Manager, Manager shall undertake a good faith effort to resolve such default within the applicable cure period provided in the Qualified Management Agreement.

Manager's actions with respect to performing its obligations under the Qualified Management Agreement and any other expenses, debts or liabilities including all costs or other amounts due related to Hotel employees, fines, penalties, taxes, losses, damages, costs, expenses (including reasonable attorney fees, investigation expenses, court costs, deposition expenses, and travel and living expenses, are solely for the Hotel Corporation's account. Manager is not obligated to advance any of its own funds for any expenses.

If the operation of the Hotel does not generate adequate funds to pay such expenses, the Hotel Corporation will promptly pay such amounts or, if the Qualified Management Agreement has been terminated, pay the required amount to Manager.

The supervisory services of Manager's or its affiliates' corporate staff employees and hotel executive staff rendered in connection with the operation of the Hotel, other than reimbursable expenses, will be provided by Manager at its expense and not charged to the operation of the Hotel or the Hotel Corporation. Except for this obligation, and unless specifically stated otherwise in the Qualified Management Agreement, Manager is not: (i) liable for any expenses or debts related to the operation of the Hotel; or (ii) obligated to advance any of its own funds with respect to the performance of its obligations under the Qualified Management Agreement and the operation of the Hotel.

Recommendation of Consultant

The Qualified Management Agreement provides that whenever a consultant is engaged pursuant to the Indenture or the Loan Agreement during the term of the Qualified Management Agreement:

- (a) if Manager agrees with the consultant's recommendations, it will follow such recommendations; and
- (b) if Manager disagrees with the consultant's recommendations, (i) it may challenge the decision through the Expert Resolution Process as described therein; (ii) the expert(s) will render a decision as to whether Manager shall follow the consultant's recommendations; and (iii) in making its decision, the expert(s) shall conclude that Manager was justified in opposing the consultant's recommendation if the expert(s) concludes that implementing such recommendations would have a detrimental effect on the operation of the Hotel, the image of Manager or the Hotel Corporation's rights under the License Agreement.

Events of Default and Termination

Under the Qualified Management Agreement, the following constitute general events of default which, if applicable to a party, entitles the other party to terminate the Qualified Management Agreement: (i) filing a petition or pleading under any bankruptcy or insolvency laws, or if such a petition is filed against, and is not opposed by a party; (ii) the appointment of a permanent or temporary conservator, receiver or trustee for a party, or all or substantially all of a party's property by any court having jurisdiction; (iii) making an assignment for the benefit of creditors or a written statement to the effect that a party is unable to pay its debts as they become due; (iv) the issuance of a levy, execution or attachment against all or substantially all of a party's property, which is not released, stayed or satisfied within 30 days; (v) a party is dissolved; or (vi) a material, final judgment against a party remains unsatisfied for 30 days or longer without being discharged, vacated, reversed or stayed (unless a supersedes bond is filed).

In addition, the Hotel Corporation may terminate the Qualified Management Agreement if:

- (a) the Manager fails to perform any of the Manager's material obligations contained in the Qualified Management Agreement within 30 days after the Hotel Corporation's notice to the Manager setting out the failure in reasonable detail or, if the failure is such that it cannot reasonably be cured within such 30 days, the Manager fails to

begin the cure within 30 days and proceed diligently and in good faith to accomplish the cure within a period not to exceed 180 days;

(b) (i) with respect to any two out of three consecutive Operating Years, (1) the Hotel fails to achieve at least 92.5% of its budgeted Gross Operating Profit (as defined in Appendix C) and (2) the annualized RevPAR of the Hotel is less than 80% of the annualized RevPAR for the RevPar Competitive Set;

(c) control of the Manager is transferred to a third party and, during the first full Operating Year after such transfer, the Hotel Corporation can establish that such change in the operation of the System has materially and adversely impacted the performance of the Hotel (such impact to be considered material and adverse if during the first 12 months following the date of such transfer and substantially because of such transfer, the Hotel's Gross Operating Profit is less than 92.5% of the amount approved in the Annual Operating Budget and the annualized RevPAR of the Hotel is less than 80% of the annualized RevPAR for the RevPAR Competitive Set);

(d) any representation or warranty made by the Manager in the Qualified Management Agreement proves to have been materially untrue at the time it was made or the Manager breaches any of the representations or warranties given by the Manager in the Qualified Management Agreement;

(e) the Manager receives eight written notices from the Hotel Corporation, made in good faith, of material defaults by the Manager of the Manager's obligations under the Qualified Management Agreement within a 24-month period; or

(f) the Hotel Corporation reserves notice from the Licensor that Licensor has revoked its approval of Manager as provided in the License Agreement.

In the event the Hotel Corporation terminates the Qualified Management Agreement under the provisions thereof above, the Hotel Corporation shall be liable for all fees and reimbursable expense due the Manager under the Qualified Management Agreement and unpaid and outstanding interest, if any, and principal on the Interstate Loans.

The Manager may terminate the Qualified Management Agreement, upon the occurrence of any of the following events of default:

(a) with respect to the Hotel Corporation or the Hotel, (i) willful failure to deliver to the Manager a copy of any notice of default received from any person who has the right to declare a default under any certain encumbrances, mortgages or leases or (ii) upon the Manager's reasonable request, failure to provide additional information with respect to such alleged default or any action or proceeding related to it or (iii) the commencement of proceedings to foreclose certain encumbrances or mortgages that are not dismissed within 120 days;

(b) if any representation or warranty made by the Hotel Corporation in the Qualified Management Agreement proves to have been materially untrue at the time it was made or the Hotel Corporation breaches any of the representations or warranties given by the Hotel Corporation in the Qualified Management Agreement;

(c) the Hotel Corporation receives eight written notices from the Manager, made in good faith, of material defaults by the Hotel Corporation of the Hotel Corporation's obligations under the Qualified Management Agreement within a 24-month period;

(d) failure to (i) fund the Operating Expense Account pursuant to the procedures and requirements set forth in the Qualified Management Agreement, the Indenture, the Loan Agreement and the Lockbox Agreement (as defined in Appendix C) within ten business days after notice or (ii) failure to comply with the provisions of the Qualified Management Agreement with respect to transfers, within 30 days of receipt of notice of such failure;

(e) failure to comply with (i) any other material provision of the Qualified Management Agreement or (ii) a sufficient number of non-material provisions which, collectively, constitute materiality or evidence a disregard for the Hotel Corporation's obligations under the Qualified Management Agreement, within 30 days of receipt of notice of such failure or, if such failure cannot reasonably be cured within 30 days, failure to proceed diligently and in good faith to accomplish the cure within a period not to exceed 180 days; or

(f) failure to pay any past due fees or other amounts owed to the Manager or its affiliates within ten business days after notice, provided that such failure is not a result of the Manager's failure to make such payments even though the Manager had access to sufficient funds in the Operating Expense Account.

Notwithstanding the provisions of the Qualified Management Agreement, the Manager cannot terminate the Qualified Management Agreement for the Hotel Corporation's failure to pay the Subordinate Management Fee, unless the Hotel Corporation fails to pay the Subordinate Management Fee from moneys properly payable and available from the Cash Trap Fund.

Assignment by Manager

The Manager retains the right to assign the Qualified Management Agreement to (i) any affiliate, (ii) any successor or assignee of the Manager resulting from any merger, consolidation or reorganization, or (iii) any person that acquires all or substantially all of the business and assets of the Manager. Upon a transfer under (ii) or (iii) above, the Manager will pay to the Hotel Corporation an administrative fee of \$10,000 subject to annual increases of five percent from the effective date of the Qualified Management Agreement and will, to the extent requested by the Hotel Corporation, enter into a mutual release of claims with the Hotel Corporation.

Right of First Offer

Before assignment or sale by the Hotel Corporation or the Hotel may occur, the Hotel Corporation must first deliver to the Manager a notice stating the intent of the Hotel Corporation to consider a transfer of the Hotel. Within 60 days from the delivery of such notice, the Manager may elect to deliver a written offer to the Hotel Corporation stating the purchase price and all other material terms and conditions pursuant to which such assignment or sale would be made to the Manager and in sufficient detail so that acceptance by the Hotel Corporation would constitute a binding contract to effect such assignment or sale to the Manager. If the Manager does not send such offer, the Hotel Corporation may proceed with such assignment or sale at any time within nine months after the expiration of the 60-day period referenced above, subject to the terms of the Qualified Management Agreement. Notwithstanding the foregoing, the provisions of the Qualified Management Agreement described in this paragraph shall not apply to assignments or sales following (i) transfers pursuant to a mortgage foreclosure or sale, (ii) sales to mortgagees in lieu of foreclosure or (iii) any other involuntary transfer in connection with any similar proceeding.

Regulations/Covenant to Comply

The parties to the Qualified Management Agreement have entered into the respective agreements with the intent that they comply with Revenue Procedure 97-13 issued by the United States Department of the Treasury ("Rev. Proc. 97-13"). Although the Manager makes no representations, and shall have no liability, regarding the effect, if any, of the Qualified Management Agreement on the tax-exempt status of the Series 2015 Bonds, the Manager has agreed to the modification or termination of the Qualified Management Agreement, as may be reasonably necessary in the opinion of bond counsel, to ensure the tax-exempt status of the Series 2015 Bonds. In no event, however, is Manager required to accept less favorable terms and conditions than those in the Qualified Management Agreement. If the Qualified Management Agreement is modified by the Hotel Corporation or the Trustee in a way that materially adversely affects Manager, Manager may terminate the Qualified Management Agreement and receive damages and compensation thereunder upon 90 days prior written notice to the Hotel Corporation and upon Hotel Corporation not curing the said modification that materially adversely affected the Manager within the above mentioned 90-day period. However, the Manager has agreed in the Qualified Management Agreement that, if, pursuant to the Internal Revenue Service's interpretation of Rev. Proc. 97-13, the Internal Revenue Service required, to ensure the tax-exempt status of the Bonds, that all Project Employees (as defined in Appendix C) be employees of the Hotel Corporation, that this would not materially adversely affect the Manager and that no damages would be due Manager and the Qualified Management Agreement would continue in full force and effect.

License Agreement

Starwood has over 1,200 properties in 100 countries and 181,000 employees. Starwood is a fully integrated owner, operator and franchisor of hotels, resorts, and residences with the following brands: Sheraton, St. Regis, The Luxury Collection, W Westin, Le Meridien, Four Points by Sheraton, Aloft, and Element by Westin. The Licensor is a

subsidiary of Starwood. Starwood has no obligations related to the Series 2015 Bonds, has not provided any financial information included herein, and is not endorsing or participating in the offering of the Series 2015 Bonds.

Term

The License Agreement has a ten-year term which began on October 1, 2014 and expires without notice on September 30, 2024, unless earlier terminated in accordance with the provisions thereof.

Grant of Franchise and Rights

Pursuant to the License Agreement, Licensor granted to the Hotel Corporation the right for the Hotel to be operated under the Sheraton brand using the methods, designs, processes and arrangements for developing and operating Sheraton brand hotels as provided in the License Agreement (the "System"). The License Agreement provides that the Licensor may designate another person to provide any part of the System to be provided by Licensor under the License Agreement.

The Hotel Corporation is required to operate the Hotel in strict compliance with all standards, policies, procedures, programs, instructions, requirements and guidance designated by Starwood as being applicable to the design, construction, development and/or operation of substantially all of the franchised Sheraton brand hotels of the category applicable to the Hotel (the "Standards and Policies") and implement all parts of the System. The Hotel Corporation is required to (a) use the Hotel solely for the operation of a Sheraton brand hotel; (b) operate the Hotel at a high moral and ethical standard and atmosphere and in a clean, safe and orderly manner, providing efficient, courteous and high-quality service to the public; (c) operate the Hotel so as to maximize gross rooms revenue and food and beverage revenue consistent with sound industry practice and not engage in any conduct that reduces gross rooms revenue or food and beverage revenue in order to further other business activities; (d) not take any action which could adversely affect a Starwood Company, the Starwood brand or the System (including any related trademarks) or the goodwill associated with them; (e) purchase or lease, install, use, maintain, update, repair and replace all equipment and supplies required under the License Agreement and not install or use, or permit to be installed or used, at or in connection with the Hotel, any equipment and supplies that do not comply with the Standards and Policies; and (f) comply with all Standards and Policies relating to guest service, respond promptly to guest complaints, ensure positive guest relations and participate in all guest surveys and complaint resolution procedures and programs required by Licensor.

Hotel Manager

The License Agreement provides that unless Licensor has approved the Hotel Corporation to manage the Hotel, the Hotel Corporation shall engage an operator to manage the Hotel under a management agreement. The Hotel Corporation may appoint an operator to manage any restaurant, bar, parking garage, spa, gym, or gift shop in the Hotel under a lease, management contract or concession agreement. The Hotel Corporation shall not permit any other person to operate any part of the Hotel. The Hotel Corporation shall ensure that any operator fully complies with all of the Hotel Corporation's obligations in the License Agreement that relate to the operation of the Hotel as if operator were party to the License Agreement as the franchisee. Licensor may enforce such provisions of the License Agreement directly against operator, however the Hotel Corporation shall remain liable for the performance of operator, and the Hotel Corporation shall not be released from any of its liabilities or obligations under the License Agreement.

If an operator does not manage the Hotel or relevant facility in compliance with the License Agreement or the operator or an affiliate becomes a competitor or prohibited person, Licensor may revoke its approval and require the Hotel Corporation to manage the Hotel or facility directly or by using another operator approved by Licensor. If, after Licensor approves an operator, there is a change in majority ownership or management control of such operator, that event shall be deemed the Hotel Corporation's engagement of a new operator and the Hotel Corporation shall be required to obtain Licensor's approval of such new operator.

The License Agreement provides that the Hotel Corporation or Manager shall employ at the Hotel an individual who works at the Hotel full-time as the general manager and has primary responsibility for the operation of the Hotel. The Hotel Corporation or the Manager shall not appoint a general manager if Licensor in its sole discretion disapproves Hotel Corporation's proposed candidate.

The Hotel Corporation is required to staff the Hotel with a sufficient number of qualified and trained individuals to operate the Hotel in accordance with the Standards and Policies. The Hotel Corporation is required to (i) ensure that the Hotel staff wear uniforms that comply with the Standards and Policies, present a neat and clean appearance and conduct themselves in a competent and courteous manner and (ii) use reasonable efforts to manage the Hotel's employment and labor relations policies and practices so as to avoid incidents that materially disrupt the operation of the Hotel or damage the reputation of the Starwood brand or a Starwood Company. Licensor does not exercise any input, direction or control over the employment policies or decisions of Hotel Corporation, except for its right to disapprove of the general manager. Hotel Corporation shall be solely responsible for all employment decisions, regardless whether Hotel Corporation received advice regarding any such decision from Licensor.

The Hotel Corporation shall ensure that the general manager and the Hotel staff complete, to Licensor's satisfaction, all training programs designated as mandatory in the Standards and Policies from time to time, at the time and place designated by Starwood Companies. Hotel Corporation shall pay all costs of such training programs, including salaries, transportation, accommodation and meals for trainers and trainees.

The Hotel Corporation shall (i) conduct advertising, marketing, promotional and public relations programs and activities for the Hotel in accordance with Standards and Policies, (ii) join, and remain a member in good standing of, such advertising and marketing cooperative groups that Starwood Companies requires for hotels in the applicable category and (iii) obtain and maintain listings of the Hotel in appropriate directories and any promotional materials that Starwood Companies require for franchised Starwood brand hotels or hotels in the applicable hotel category.

The Hotel Corporation's use of any Starwood technology shall be in accordance with the License Agreement, the Standards and Policies and the terms of any other agreements between Hotel Corporation and Starwood Companies.

The Hotel Corporation shall offer all guest rooms, the Hotel's meeting rooms and other relevant services through the Starwood reservation system (if and when available) on at least as favorable terms as offered through any other system or means. The Hotel Corporation shall honor all reservations and bookings for services received through the Starwood reservation system on the terms specified to the guest at the time the reservation was made.

Licensor provides certain programs and services on a centralized basis to substantially all of the franchised Starwood brand hotels or to a category applicable to the Hotel as an integral part of the System (the "Starwood Centralized Services"). Licensor or any of its designees shall have the exclusive right to maintain and administer the Starwood Centralized Services. The Starwood Centralized Services may be provided by one or more Starwood Companies or third parties designated by Starwood Companies, and Starwood Companies may own or have investments in the suppliers and other providers of the Starwood Centralized Services. Licensor may (i) change the structure, scope, delivery and terms of any Starwood Centralized Service, (ii) add a new, or discontinue all or part of an existing, Starwood Centralized Service or (iii) make a mandatory Starwood Centralized Service optional, or an optional Starwood Centralized Service mandatory, in each case as Licensor deems advisable from time to time, provided that such changes are applicable to substantially all of the franchised Starwood brand hotels or hotels in the applicable category.

The Hotel is required to participate in all Starwood Centralized Services which the Starwood Companies designate as mandatory and may participate in any of the Starwood Centralized Services the Starwood Companies, in its discretion, may make available to the Hotel which the Starwood Companies designate as optional.

Maintenance Obligations

The License Agreement provides that the Hotel Corporation shall maintain the Hotel in good working order and condition and in compliance with the Standards and Policies. The Hotel Corporation shall as expeditiously as possible perform all work necessary to remedy (i) any problems with the design or construction of the Hotel or other defects and (ii) any hazardous substance or other environmental problem or other health or safety hazards. The Hotel Corporation shall obtain Starwood's approval (which may be withheld at its sole discretion) before making any alterations, improvements, replacements, renewals or additions to the Hotel that (i) involve a material change in the primary use of any part of the Hotel, (ii) involve a material physical expansion or alteration of the Hotel (including adding or removing guest rooms or meeting rooms, or changing the configuration of the Hotel or (iii) are inconsistent with the Standards and Policies.

Starwood may require the Hotel Corporation to renovate the Hotel's building, trade dress, décor, furnishings, operating supplies and equipment and improvements to comply with the then-current Standards and Policies. Starwood may from time to time deliver a property improvement plans to the Hotel Corporation setting out the renovations to be completed during the periods ending on the 8th and 15th anniversaries of the commencement date of the License Agreement, provided that Starwood may require more frequent renovations to maintain the Hotel in compliance with Standards and Policies. The Hotel Corporation shall pay to Starwood a fee for preparing each property improvement plan and all reimbursable expenses incurred in site visits that Starwood in its sole discretion determines are required to monitor performance of the property improvement plan.

Payment of Fees and Charges

The Starwood Centralized Services Charges shall be determined by Starwood Companies on the same basis as for substantially all of the franchised Starwood brand hotels or hotels in the applicable category that are participating in such Starwood Centralized Services. During the operating term the Hotel Corporation shall pay a license fee to Licensor (the "License Fee") monthly as specified in the License Agreement. The Hotel Corporation shall also pay to Licensor all Starwood Centralized Services Charges and other fees and charges required under the License Agreement. Within ten days after the end of each month during the operating term, the Hotel Corporation shall pay to Licensor all amounts payable under the License Agreement which are calculated on the basis of the gross rooms revenue and/or food and beverage revenue in that month, whether or not demanded by Licensor. All other amounts shall be due and payable in accordance with the directions of Licensor, whether on the invoice, in the Standards and Policies or otherwise. The foregoing amounts constitute Operating Expenses and are payable from the Operating Expense Account.

Assignment

Licensor may assign, novate, delegate, subcontract or transfer all or any part of its rights or obligations under the License Agreement, without prior notice to, or consent of, the Hotel Corporation. After Licensor's assignment or transfer of the License Agreement to a third party who expressly assumes Licensor's obligations under the License Agreement, Licensor will no longer have any obligations under the License Agreement.

Termination Rights

Licensor may terminate the License Agreement by notice to Hotel Corporation if any of the following defaults is not cured within the period set out in a notice of default from Licensor. Such period shall be 15 days for the default in (a) below and 30 days for other defaults, or in either case such longer period required by Laws: (a) the Hotel Corporation does not pay any amount due to a Starwood Company or any other amount due under the License Agreement; (b) any part of any property improvement plan or fire and life safety report is not completed within the periods therein (with time being of the essence) or the Hotel Corporation fails diligently to commence and complete any repair or rebuilding of the Hotel required under the License Agreement; (c) the Hotel Corporation fails to obtain, maintain or send Licensor evidence of, any insurance coverage required under the License Agreement; (d) the Hotel Corporation or an affiliate of the Hotel Corporation fails to comply with any Standards and Policies or any other provision of the License Agreement or any other agreement with a Starwood Company relating to the Hotel; or (e) the Hotel does not achieve a passing score on any inspection performed by Licensor or its representatives regarding compliance with Standards and Policies, the condition of the Hotel, guest satisfaction or any other aspects of the Hotel or its operation.

Licensor may terminate the License Agreement immediately by notice to the Hotel Corporation and without any opportunity to cure if:

(a) (i) the Hotel Corporation or the City becomes insolvent or generally fails to pay its debts as they become due, (ii) the Hotel Corporation or the City makes a general assignment or similar arrangement for the benefit of its creditors, (iii) a judgment of insolvency is entered against the Hotel Corporation or the City, (iv) the Hotel Corporation or the City files a petition for relief under applicable bankruptcy, insolvency or similar debtor relief laws, (v) a petition for relief under applicable bankruptcy, insolvency or similar debtor relief laws is filed against and consented to by the Hotel Corporation or the City, (vi) a receiver, custodian, trustee or liquidator is appointed (or a petition is filed for their appointment) to oversee all or any substantial part of the Hotel Corporation's or the City's assets or the conduct of its business, (vii) the Hotel Corporation or the City takes any action for dissolution of its operations or (viii) any other similar proceedings occur in any jurisdiction;

(b) (i) a final judgment against the Hotel Corporation in excess of \$250,000 remains unsatisfied for more than 60 days (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), or (ii) a levy is issued or attachment is made on all or any part of the Hotel and such levy or attachment is not discharged or the property is not redeemed within 30 days after such levy or attachment;

(c) the Hotel Corporation or the City abandons, loses possession of or ceases to operate any part of the Hotel for 24 hours or longer or defaults under any mortgage, deed of trust or lease affecting the Hotel and the Hotel Corporation fails to cure such default to the satisfaction of the non-defaulting party within any applicable cure period;

(d) the Hotel Corporation makes, or has made, any materially inaccurate statement or report to Licensor in connection with the License Agreement or the Hotel, maintains materially inaccurate books or records or Licensor determines that the Hotel Corporation has under-reported gross rooms revenue by 5% or more for any period of time;

(e) the Hotel Corporation violates any part of the provisions of the License Agreement relating to transfers of the Hotel or the Hotel Corporation's rights thereunder;

(f) the Hotel Corporation becomes a competitor or an affiliate of a competitor;

(g) the Hotel Corporation, the operator or any of their representatives becomes a prohibited person;

(h) Licensor determines that the continued effectiveness of the License Agreement or the operation of the Hotel could cause Licensor or any of its representatives to be in violation of specified sanction and anti-corruption laws;

(i) Licensor determines that the Hotel is being operated in any way that could reasonably be expected to (i) endanger the health, safety or privacy of any Individual, (ii) cause substantial liability to Licensor or a representative or (iii) have an adverse effect on the Starwood brand, System or trademarks;

(j) the Hotel Corporation or any of its representatives violates any part of the License Agreement relating to confidentiality;

(k) the Hotel Corporation does not identify the Hotel to the public as a Starwood brand hotel; or

(l) the Hotel Corporation receives from Licensor two or more notices to cure the same or similar defaults under the License Agreement during any 24-month period.

A premature termination of the License Agreement may give rise to damages to Licensor, and the License Agreement provides for the payment of the liquidated damages to Licensor in addition to other amounts due upon termination. If payment of the liquidated damages is not enforceable, Licensor may seek actual damages from the Hotel Corporation, with the appropriate measure being the total amounts that would have been paid to Licensor for the remainder of the term discounted to present value.

If (i) the Hotel Corporation fails to comply with any provision of the License Agreement or (ii) any event or circumstance occurs that would give Licensor a termination right under the License Agreement (each a "Non-Compliance"), Licensor may in its sole discretion also exercise any one or more of the following remedies:

(a) upon ten days' notice Licensor may suspend the Hotel from Starwood's reservation system and divert reservations previously made for the Hotel to other hotels until the Non-Compliance is cured and the Hotel Corporation shall continue to pay all license fees and Starwood Centralized Services Charges during such suspension;

(b) Licensor may charge the Hotel Corporation a non-compliance fee of 1% of gross rooms revenue for each month of the operating term in which that Non-Compliance has occurred or continued for one or more days, in order to compensate for damage to the reputation of Starwood Companies and the Starwood brand and for the additional work caused by such Non-Compliance;

(c) if the Non-Compliance is the failure to comply with any Standards and Policies or the failure to achieve the required level of guest satisfaction and/or quality, Licensor or its representatives may (i) provide assistance to

the Hotel Corporation to remedy such matters (such as site visits by Licensor's representatives, providing specifications for remedial work or replacements and assisting the Hotel Corporation in developing a plan for compliance) and (ii) require the Hotel Corporation to pay Licensor's then-current assistance fee;

(d) if the Non-Compliance involves any action or inaction by the Hotel's staff, Licensor may require the Hotel's staff to undergo additional training by a representative of Licensor or otherwise; and/or

(e) if the Non-Compliance relates to a guest or customer complaint, a Starwood Company may provide a credit or rebate and the Hotel Corporation shall pay such amount or reimburse the Starwood Company.

PLAN OF REFUNDING

General

Proceeds from the sale of the Series 2015 Bonds will be used to make a loan to the Hotel Corporation, to provide funds to (a) refund the Series 2001B Bonds, (b) fund the Debt Service Reserve Fund and (c) pay the costs of issuance of the Series 2015 Bonds.

Estimated Sources and Uses of Funds

The following table sets forth the sources of funds to be derived from the sale of the Series 2015 Bonds and the uses of such funds:

<u>Sources of Funds</u>	
Principal Amount of Series 2015 Bonds	\$16,405,000.00
Net Original Issue Premium	1,705,643.35
Release of Trustee-held Funds	<u>3,431,479.86</u>
Total Sources	\$21,542,123.21
 <u>Uses of Funds</u>	
Refunding of Series 2001B Bonds	\$19,692,772.79
Debt Service Reserve Fund	1,372,212.50
Costs of Issuance ⁽¹⁾	<u>477,137.92</u>
Total Uses	\$21,542,123.21

⁽¹⁾Including Underwriter's discount, legal, printing and miscellaneous fees.

DEBT SERVICE REQUIREMENTS

The following table sets forth for each bond year ending April 1 the amount required for the payment of interest on and principal of the Series 2015 Bonds.

Year Ending April 1,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015		\$ 116,762.19	\$ 116,762.19
2016	\$ 705,000	667,212.50	1,372,212.50
2017	715,000	653,112.50	1,368,112.50
2018	740,000	631,662.50	1,371,662.50
2019	770,000	602,062.50	1,372,062.50
2020	355,000	571,262.50	926,262.50
2021	380,000	553,512.50	933,512.50
2022	395,000	534,512.50	929,512.50
2023	410,000	526,612.50	936,612.50
2024	575,000	506,112.50	1,081,112.50
2025	755,000	477,362.50	1,232,362.50
2026	795,000	439,612.50	1,234,612.50
2027	815,000	399,862.50	1,214,862.50
2028	870,000	359,112.50	1,229,112.50
2029	895,000	333,012.50	1,228,012.50
2030	920,000	306,162.50	1,226,162.50
2031	950,000	278,562.50	1,228,562.50
2032	980,000	250,062.50	1,230,062.50
2033	1,025,000	201,062.50	1,226,062.50
2034	1,065,000	167,750.00	1,232,750.00
2035	1,115,000	114,500.00	1,229,500.00
2036	<u>1,175,000</u>	<u>58,750.00</u>	<u>1,233,750.00</u>
TOTAL	\$16,405,000	\$8,748,637.19	\$25,153,637.19

HISTORICAL PERFORMANCE

The table below provides a summary of audited revenues and expenses of operations of the Hotel Corporation for the Fiscal Years ending June 30, 2010 through 2014. The audited financial statements of the Hotel Corporation for Fiscal Year 2014 are attached as Appendix B.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues	\$ 11,680,835	\$ 13,608,142	\$ 14,450,618	\$ 14,400,716	\$ 15,305,492
Operating Expenses	<u>(14,097,468)</u>	<u>(15,718,946)</u>	<u>(15,727,227)</u>	<u>(15,976,978)</u>	<u>(16,231,800)</u>
Operating Gain (Loss)	\$ (2,416,633)	\$ (2,110,804)	\$ (1,276,609)	\$ (1,576,262)	\$ (926,308)
Nonoperating Revenues (Expenses)					
Revenues	\$ 98,844	\$ 89,024	\$ 43,442	\$ 113,249	\$ 106,873
Debt forgiveness income	50,000	50,000	250,000	250,000	250,000
Debt-related expenses	<u>(1,153,753)</u>	<u>(1,136,507)</u>	<u>(1,118,140)</u>	<u>(1,098,337)</u>	<u>(1,053,177)</u>
Total Non-operating Revenues (Expenses)	\$ (1,004,909)	\$ (997,483)	\$ (824,698)	\$ (735,088)	\$ (696,304)
Change in Net Position	(3,421,542)	(3,108,287)	(2,101,307)	(2,311,350)	(1,622,612)
Total Net Position - Beginning, As Previously Reported	7,683,495	4,261,953	1,153,666	(947,641)	(3,258,991)
Cumulative Effect of Adopting GASB Statement No. 65	-	-	-	-	<u>(538,117)</u>
Total Net Position - Beginning, as Restated	\$ 7,683,495	\$ 4,261,953	\$ 1,153,666	\$ (947,641)	\$ (3,797,108)
Total Net Position - Ending	\$ 4,261,953	\$ 1,153,666	\$ (947,641)	\$ (3,258,991)	\$ (5,419,720)
Debt Service Coverage Calculation:					
Gross Revenues (Operating and Non-operating Revenues)	\$ 11,779,679	\$ 13,697,166	\$ 14,494,060	\$ 14,513,965	\$ 15,412,365
Operating Expenses	(14,097,468)	(15,718,946)	(15,727,227)	(15,976,978)	(16,231,800)
Site Lease Payments	2,834,028	3,369,691	3,394,082	3,394,584	3,417,160
Interest Earnings	(98,844)	(89,024)	(43,442)	(113,249)	(106,873)
Depreciation	<u>1,617,523</u>	<u>1,666,851</u>	<u>1,811,231</u>	<u>1,813,274</u>	<u>1,692,303</u>
Net Revenues Available for Debt Service	\$ 2,034,918	\$ 2,925,738	\$ 3,928,704	\$ 3,631,596	\$ 4,183,155
Debt Service for the Fiscal Year	\$ 1,498,951	\$ 1,496,966	\$ 1,494,090	\$ 1,494,287	\$ 1,492,786
Debt Service Coverage	1.36x	1.95x	2.63x	2.43x	2.80x

MANAGEMENT'S DISCUSSIONS OF RECENT OPERATING RESULTS

Over the past five Fiscal Years, operating revenues have increased by \$3.6 million while operating expenses have increased by \$2.1 million. Over the same period, net revenues available for debt service have increased from approximately \$2.0 million per year to approximately \$4.2 million per year, and debt service coverage, consequently, has improved from 1.36 times annual debt service in 2010 to 2.80 times annual debt service in 2014.

For the twelve-month period ended October 31, 2014, the occupancy rate for the Hotel was 66.2% and the average daily rate ("ADR") for the Hotel for this period was \$108.37. The Hotel's RevPAR for the period was \$71.73, an 8.5% improvement over the same twelve months of the prior year but still below the RevPAR Competitive Set's \$82.20. Hotel management believes that the leading hotel in its competitive set, an oceanfront convention resort hotel operating under a major flag, skews the ADR data by as much as \$15 to \$20. Hotel management notes that when group travel is strong, they are able to push rates but at other time of the year, they depend upon third party channels to fill the gaps at lower rates.

The improved revenue performance is the result of aggressive marketing efforts in the convention and trade show segment of the Hotel's business (group business) and the area's generally improving trends in occupancy and average daily rates which effects the Hotel's ability to fill in during poorer months for group business.

On the expense side, Hotel management has also undertaken initiatives to better match labor and materials costs to occupancy and other demand indicators. Fixed costs for fees paid to the Manager and the Licensor have been renegotiated as well (as reflected in the current Qualified Management Agreement and License Agreement), resulting in improvements of more than \$300,000 annually.

Four percent of the Hotel revenue flows into a capital improvement reserve and is used to fund the Hotel's Property Improvement Plan ("PIP"). Projects completed over the past two years include replacement of corridor and guestroom carpeting, replacement of drapes, bathroom wall vinyl, lounge chairs and desk chairs, renovation of suites and of the club lounge, installation of new energy-efficient parking lot lighting, updating of domestic water circulation to reduce water waste and improve consistency of temperature and pressures throughout the building. The PIP for the next four years includes a lobby renovation, currently in progress, and replacement of lighting in guestroom bathrooms for 2015. In 2016, it provides for replacement of cardio equipment in the Fitness Center. Guest rooms will be the focus of the 2017 phase of the plan, with replacement of case goods, artwork and decorative mirrors in all guest rooms. And in 2018, the bar and restaurant are scheduled for a complete renovation.

As described herein under the heading "THE CONVENTION CENTER – General Description," currently the City is expanding the Center's facilities by constructing the Myrtle Beach Sports Center, a 100,000 square-foot complex that will feature 72,000 square feet of column-free event space, seating for over 2,000 attendees and floor space to accommodate up to eight basketball courts or sixteen volleyball courts. The Myrtle Beach Sports Center is located adjacent to the Center and is expected to generate additional room-nights for the Hotel and other hotels in the immediate area.

THE SERIES 2015 BONDS

Description of the Series 2015 Bonds

The Series 2015 Bonds will be dated as of the date of delivery, will mature on April 1 in the respective years and principal amounts and bear interest from their date, until paid, at the rate or rates set forth on the inside front cover page of this Official Statement, payable on April 1, 2015 and semi-annually thereafter on April 1 and October 1 of each year (the "Interest Payment Dates") while such Series 2015 Bonds are outstanding.

The Series 2015 Bonds are issuable only as fully-registered bonds without coupons in the denominations of \$5,000 and integral multiples thereof. Interest on the Series 2015 Bonds will be payable by check mailed to each registered owner thereof at his address as it appears on the bond register of the Trustee at the close of business on the 15th day of the month immediately preceding the interest payment date (the "Record Date"), and the principal of the Series 2015 Bonds will be payable upon presentation and surrender of the Series 2015 Bonds when due at the office of the Trustee in Columbia, South Carolina.

Certificates representing ownership in the Series 2015 Bonds will not be issued to the purchasers of the Series 2015 Bonds. Rather, The Depository Trust Company, New York, New York ("DTC") will act as securities depository under a book-entry only system for the Series 2015 Bonds. Unless such system is discontinued, the provisions described under "Book-Entry Only System" below (including provisions regarding payments to and transfers by the owners of beneficial interests in the Series 2015 Bonds) will be applicable to the Series 2015 Bonds. If such system is discontinued, the provisions described under "Registration and Transfer" below will be applicable.

Book-Entry Only System

The Series 2015 Bonds, when executed and delivered, will be registered in the name of Cede & Co., as nominee for DTC, which will act as securities depository for the Series 2015 Bonds. Individual purchases will be made in global book-entry form, in principal amounts of \$5,000 or any integral multiple thereof. So long as Cede & Co. is the Holder of the Series 2015 Bonds, references herein to the "Bondholders" or "Holders" of the Series 2015 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Series 2015 Bonds.

So long as Cede & Co. is the Holder of the Series 2015 Bonds, principal of the Series 2015 Bonds is payable in the amounts and on the dates set forth on the cover page hereof and interest with respect to the Series 2015 Bonds is

payable semiannually on each Interest Payment Date by check or draft mailed to Cede & Co., as nominee for DTC, or by wire transfer at the written direction of DTC, which will, in turn, remit such principal and interest to the DTC Participants (as defined below) for subsequent distribution to the Beneficial Owners of the Series 2015 Bonds. If Cede & Co. is no longer the Holder of the Series 2015 Bonds and a successor securities depository has not been appointed, such interest is payable by check or draft mailed to the persons appearing on the bond register maintained by the Trustee as the Holder of the Series 2015 Bonds as of the Record Date immediately preceding the applicable interest payment date at their respective addresses listed on the bond register maintained by the Trustee for such purposes, and such principal is payable to the Holder upon presentation and surrender of the Series 2015 Bonds at the corporate trust office of the Trustee. Payment of the principal of and interest on the Series 2015 Bonds when due or upon prepayment is to be made in lawful money of the United States.

The information under this caption concerning DTC and DTC's book-entry only system has been obtained from sources believed to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's (hereinafter defined) rating of AA+. 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.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 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 2015 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 2015 Bonds, except in the event that use of the book-entry only system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 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 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, defaults, and proposed amendments to

documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 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 and addresses to the Trustee, as registrar, and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all the Series 2015 Bonds 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 2015 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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal, premium, if any, and interest on the Series 2015 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 Authority 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, its nominee, the District or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the 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 Trustee will recognize DTC or its nominee, Cede & Co., as the Holder of the Series 2015 Bonds for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to the DTC Participants, by the DTC Participants to the Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners of the Series 2015 Bonds will be governed by arrangements among DTC, DTC Participants and Indirect Participants, subject to any statutory and regulatory requirements as may be in effect from time to time.

NEITHER THE AUTHORITY NOR THE TRUSTEE IS RESPONSIBLE OR LIABLE FOR THE FAILURE OF ANY DTC PARTICIPANTS OR ANY INDIRECT PARTICIPANTS TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE SERIES 2015 BONDS OR ANY ERROR OR DELAY RELATING THERETO.

The Authority and the Trustee cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2015 Bonds (i) payments of principal, premium, if any, and interest, with respect to the Series 2015 Bonds, (ii) confirmation of beneficial ownership interests in the Series 2015 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as Holder of the Series 2015 Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or Indirect Participants will serve or act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with the DTC Participants are on file with DTC.

The Trustee shall enter into an agreement with DTC providing for the book-entry only system described herein. DTC may determine to discontinue providing its service with respect to the Series 2015 Bonds at any time by giving notice to the Trustee and discharging its responsibilities with respect thereto under applicable law. In the event of such termination, the Authority may select another securities depository or discontinue the book-entry only system. In the event the book-entry only system is discontinued, the Trustee will register and deliver to the Beneficial Owners replacement Series 2015 Bonds in denominations of \$5,000 or integral multiples thereof in accordance with the instructions of DTC or its nominee, Cede & Co.

Registration and Transfer

Upon the discontinuance of the book-entry only system, Series 2015 Bonds shall be evidenced by bond certificates issued in the name of the Holders thereof as set forth on the bond register, and Series 2015 Bonds shall be transferable only upon the bond register by the Holder thereof in person or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Trustee, as registrar, duly executed by the Holder or his duly authorized attorney. Upon the transfer of any Series 2015 Bond, the Authority shall execute and thereupon the Trustee shall authenticate and deliver to the transferee a new fully registered Series 2015 Bond or Bonds, registered in the name of the transferee of the same aggregate principal amount, maturity and interest rate as the surrendered Series 2015 Bond.

The Authority and the Trustee, as registrar, may deem and treat the person in whose name any Series 2015 Bond is registered as the absolute owner of such Series 2015 Bond for the purpose of receiving payment of the principal and redemption premium, if any, of, and interest on, such Series 2015 Bond and for all other purposes.

For every exchange or transfer of any Series 2015 Bond, whether temporary or definitive, the Trustee, as registrar, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

Redemption Provisions

In the manner and with the effect provided in the Indenture, the Series 2015 Bonds will be subject to redemption prior to maturity as described below.

Optional Redemption

The Series 2015 Bonds maturing on or after April 1, 2026, are subject to redemption at the option of the Authority at the direction of the Hotel Corporation in whole or in part at any time on or after April 1, 2025, at a Redemption Price (as defined in Appendix C) equal to 100 percent of the principal amount to be redeemed, together with accrued and unpaid interest to the date set for redemption.

If at any time on or after April 1, 2025, the amount in the Debt Service Reserve Fund (excluding Financial Guaranties (as defined in Appendix C)), together with the amount in the Debt Service Fund and the Cash Trap Fund, is sufficient to retire (by payment at maturity or prior redemption) all Outstanding (as defined in Appendix C) Bonds in accordance with their terms (including the maturing principal or Sinking Fund Installments (as defined in Appendix C) and applicable Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Fund and the Cash Trap Fund shall be transferred to the Debt Service Fund (as defined in Appendix C), to the extent necessary to pay or redeem all Outstanding Bonds. The Authority, at the direction of the Hotel Corporation, shall, pursuant to the provisions of the Indenture described in the first paragraph under this subcaption “*Optional Redemption*,” exercise its option to redeem the Series 2015 Bonds to be redeemed from the amounts so transferred.

Selection of Bonds to Be Redeemed

For so long as DTC acts as securities depository for the Series 2015 Bonds under a book-entry only system, the selection for redemption of portions of Bonds of like maturity of any Series shall be accomplished through the procedures established by DTC, as described herein under the caption “*Book-Entry Only System*” above.

Should the Series 2015 Bonds no longer be held in book-entry form and if less than all of the Bonds of like maturity are called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination greater than the minimum Authorized Denomination (as defined in Appendix C) for the Bonds to be redeemed shall be redeemed in part only in Authorized Denominations and that, in selecting portions of Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds of the minimum Authorized Denomination for which is obtained by dividing the principal amount of such Bond to be redeemed in part by the minimum Authorized Denomination.

Notice of Redemption

For so long as DTC acts as securities depository for the Series 2015 Bonds under a book-entry-only system, the Trustee shall send notices of redemption only to DTC or Cede & Co., DTC's nominee. Any failure of DTC or a Participant or, where appropriate, an Indirect Participant, to convey a redemption notice to a Beneficial Owner of a Series 2015 Bond will not affect the sufficiency or the validity of the redemption of any Series 2015 Bond.

Should the Series 2015 Bonds no longer be held in book-entry form and any of the Series 2015 Bonds, or portions thereof, be called for redemption, the Trustee shall mail, by first-class mail, postage prepaid, notice of the call for any redemption of the Bonds not more than 60 days nor less than 30 days before the date fixed for redemption to the Holders of the Bonds or portions of Bonds which are to be redeemed, at their addresses as they appear on the bond register, but receipt of such notice shall not be a condition precedent to such redemption and failure of any Holders of a Bond to receive any such notice or any defect therein shall not affect the validity of the proceedings for the redemption of Bonds. The Bonds so called for redemption shall cease to bear interest on the specified redemption date and shall no longer be secured by the Indenture, provided that funds for such redemption are on deposit at that time with the Trustee.

Acceleration of Maturity

Upon the occurrence of certain events, the due date for the payment of the principal amount of the Bonds may be accelerated. See Appendix D under the heading "INDENTURE--Events of Default and Remedies of Bondholders."

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Series 2015 Bonds are limited obligations of the Authority, the principal and redemption premium (if any) and interest on which are payable solely from the Trust Estate. The Series 2015 Bonds are further enhanced by a limited guarantee provided by the City, subject to annual appropriation, to replenish amounts withdrawn from the Debt Service Reserve Fund to pay debt service on the Series 2015 Bonds.

Neither the Series 2015 Bonds nor the interest thereon nor the redemption price thereof shall ever constitute an indebtedness or a charge against the general credit or taxing powers of the Authority, the State, any political subdivision thereof, or any other public body within the meaning of any constitutional or charter provision or statutory limitation, and none of the above shall ever constitute or give rise to any pecuniary liability of the Authority (except as described herein), the State, any political subdivision thereof, or any other public body. The issuance of the Series 2015 Bonds is not directly or indirectly or contingently an obligation, moral or other, of the State or any political subdivision thereof to levy any form of taxation whatever therefor or to make any appropriation for their payment.

The Series 2015 Bonds and the interest thereon and the redemption price thereof do not constitute an indebtedness to which the faith and credit of the Authority, the State or any other public body is pledged. The Authority has no taxing power.

Pledge of Trust Estate

Pursuant to the Indenture, the Authority has pledged, assigned and conveyed all of the Trust Estate (including proceeds of the sale of Bonds) to the Trustee to secure the payment of the principal of, and the interest and premium, if any, on, all Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions set forth in the Bonds and the Indenture (provided, however, that the rights of the Holders of the Series 2015 Bonds and other Bonds to the moneys and other amounts received from the Trust Estate and the security provided by the Indenture shall be limited to the particular Funds and Accounts and subject to the conditions specified in the Indenture). The Trust Estate is defined to mean:

- A. All rights and interests of the Authority under and pursuant to the Loan Agreement (except certain rights of the Authority as to indemnification, payment of certain expenses and the right to receive notices, certificates, report or other communications or to give its consent thereunder) including, but without limiting the generality of the foregoing, the present and continuing right thereunder (i) to make claim for,

collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring actions and proceedings thereunder or for the enforcement thereof and (iii) to do any and all things that the Authority is or may become entitled to do under the Loan Agreement; provided that the assignment made by this clause shall not impair or diminish any obligation of the Authority under the Loan Agreement;

B. The Authority's interest in all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) and the profits, income and other moneys realized from the investment thereof, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein; and

C. The Authority's interest under the Mortgage and the Assignment Agreement (as defined in Appendix C), and in any and all other property, or interests therein, of every kind or description that may from time to time hereafter, by delivery or by writing of any kind be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Indenture by the Authority, or under the Loan Agreement by the Hotel Corporation, or by anyone on their behalf or with their written consent, respectively, or that pursuant to any of the provisions of the Indenture or the Loan Agreement may come into the possession of or control of the Trustee or a receiver appointed pursuant to the Indenture, as such additional security.

Subject to the provisions of the Lockbox Agreement and the Indenture described under the caption "INDENTURE--Events of Default and Remedies of Bondholders--*Application of Amounts Received From the Trust Estate After Default*" in Appendix D, the Trustee is entitled to and shall collect and receive all of the Project Gross Revenues (as defined in Appendix C) delivered to the Trustee by or on behalf of the Hotel Corporation and any such amounts collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Funds and Accounts

Establishment of Funds and Accounts

The Indenture provides for the creation of the following Funds and Accounts, each of which (other than the Lockbox Fund, as described in Appendix D under the heading "INDENTURE--Indenture Provisions With Respect to Certain Funds and Accounts--*Lockbox Agreement*") is established, maintained and held in trust by the Trustee:

- (a) Construction Fund;
- (b) Lockbox Fund, in which there shall be established an Operating Expense Account;
- (c) Taxes and Insurance Fund;
- (d) Debt Service Fund;
- (e) Capital Reserve Primary Account;
- (f) Debt Service Reserve Fund (in which there is an April Subaccount and an October Subaccount);
- (g) Rebate Fund;
- (h) Additional Loan Fund;
- (i) Cash Trap Fund; and
- (j) Insurance and Condemnation Proceeds Fund.

In addition, the Trustee may create any other Funds or Accounts under the Indenture, to be held in trust for the benefit of the Bondholders, as the Trustee deems necessary to carry out the purposes of the Indenture.

Purposes for Which Funds and Accounts may be Used

The Indenture provides that amounts on deposit in the following Funds and Accounts may be used for the following restricted purposes, on the dates and in the order of priority described further in Appendix D under the heading "INDENTURE--Indenture Provisions With Respect to Certain Funds and Accounts--*Transfers Between Funds and Accounts*," and to fund deficiencies in other Funds and Accounts described under the subheading "*Deficiencies Within Funds and Accounts*" herein.

Taxes and Insurance Fund. Moneys in the Taxes and Insurance Fund may be used to pay all taxes that become due and payable with respect to the ownership and Operation (as defined in Appendix C) of the Hotel.

Capital Reserve Primary Account. Moneys in the Capital Reserve Primary Account shall be used to pay for (i) items within the Capital Budget as certified to the Trustee, (ii) other Project expenses approved in writing by the Manager and the Hotel Corporation and (iii) to the extent funds in the Cash Trap Fund or the Capital Reserve Primary Account, in that order, are insufficient for such purpose, and prior to payments for the purposes described in (i) and (ii) above, amounts for Emergency Situations (as defined in Appendix C). In addition, moneys on deposit in the Capital Reserve Primary Account may be used, prior to funding any required payments under the immediately preceding sentence, to fund deficiencies in certain Funds and Accounts as provided under the subheading “*Deficiencies Within Funds and Accounts*” herein and in Appendix D under the heading “INDENTURE--Indenture Provisions With Respect to Certain Funds and Accounts--*Transfers Between Funds and Accounts.*”

Additional Loan Fund. Moneys in the Additional Loan Fund, if any, shall be used to pay amounts due under any Additional Loans (as defined in Appendix C).

Cash Trap Fund. Moneys in the Cash Trap Fund shall be used to fund deficiencies in the Debt Service Fund, Operating Expense Account, Debt Service Reserve Fund and Additional Loan Fund as described under the subheading “*Deficiencies Within Funds and Accounts*” herein and in Appendix D under the heading “INDENTURE--Indenture Provisions With Respect to Certain Funds and Accounts--*Transfers Between Funds and Accounts.*” In addition, moneys in the Cash Trap Fund may be used (i) to fund deficiencies, after taking into account any deposits thereto made on the first Business Day of the month pursuant to the provisions of the Indenture described under the caption “*Flow of Available Revenues*” herein, in any Fund not mentioned in the previous sentence, (ii) to the payment of the Three Percent Lease Payments, the Subordinate Management Fee, the Convention Center Use Fee and to pay for other Project expenses or other costs in connection with the Project.

If all amounts payable from the Cash Trap Fund under the Indenture have been paid, moneys in the Cash Trap Fund may be paid to the Hotel Corporation or the City for such purposes as the Hotel Corporation may determine, provided that (i) no Event of Default has occurred and is then continuing, (ii) the Trustee shall have received a Certificate of the Authorized Representative (as defined in Appendix C) of the Hotel Corporation to the effect that the Debt Service Coverage Ratio (hereinafter defined) for the most recently completed Operating Year for which the Debt Service Coverage Ratio has been required to be calculated pursuant to the Loan Agreement shall have been at least 1.25:1.0, and (iii) all Funds and Accounts created under the Indenture and the Lockbox Agreement shall be funded to their required levels.

Operating Expense Account. Moneys in the Operating Expense Account shall be used for the payment or reimbursement of Operating Expenses upon the written direction of the Manager, provided that, any request for disbursement, requisition, check or draft for funds from such Account in excess of \$80,000, with the exception of payroll payments, shall be countersigned by, or accompanied by the written approval of, the Authorized Representative of the Hotel Corporation.

Flow of Available Revenues

During such time as there is not a Lockbox Agreement in effect in accordance with the Indenture, the Trustee shall, subject to the provisions of the Indenture described under the heading “INDENTURE--Indenture Provisions With Request to Certain Funds and Accounts--*Investment of Money in Funds and Accounts*” in Appendix D, relating to the application of interest earnings, deposit all Project Gross Revenues received by it the Operating Expense Account. Subject to the provisions of the Indenture described under the caption “INDENTURE--Events of Default and Remedies of Bondholders--*Application of Amounts Received from the Trust Estate After Default*” in Appendix D, on the first Business Day of each month, the Trustee shall (a) to the extent then on deposit, retain in the Operating Expense Account the sum of \$1,500,000 or such greater amount as may be directed in writing by the Hotel Corporation, and (b) transfer the remaining balance of the Operating Expense Account as provided in the following paragraph.

Subject to the provisions of the Indenture described under the caption “INDENTURE--Events of Default and Remedies of Bondholders--*Application of Amounts Received from the Trust Estate After Default*” in Appendix D and the provisions described in the previous paragraph, prior to 1:00 p.m. on the first Business Day of each month, the Trustee shall make the deposits, transfers or payments indicated below, in the following order of priority and in the amounts set

forth below (including curing any deficiencies in deposits, transfers or payments required in prior months), the requirements of each Fund, deposit, transfer or payment to be fully satisfied, leaving no deficiencies, prior to any deposit, transfer or payment later in priority; provided, all such deposits, transfers and payments shall be made in accordance with (except as to amounts required to be deposited to the Debt Service Fund and the Debt Service Reserve Fund) the Annual Operating Budget (or, if the Annual Operating Budget is not submitted in timely fashion pursuant to the provisions of the Loan Agreement described under the caption “REVENUE COVENANT AND CERTAIN OTHER COVENANTS--Annual Budget,” the certificate described in such provision of the Loan Agreement, upon which certificate the Trustee may conclusively rely):

(a) To the Taxes and Insurance Fund, the Taxes and Insurance Set Aside Amount (as defined in Appendix C) for the Hotel for the current month;

(b) To the Capital Reserve Primary Account, the Capital Reserve Primary Account Set Aside Amount for the current month;

(c) To the Rebate Fund, the amount to be paid therein pursuant to the Tax Compliance Agreement (as defined in Appendix C);

(d) To the Debt Service Subaccount, the amount, if any, required so that the balance in said Subaccount shall equal the Accrued Aggregate Debt Service (as defined in Appendix C) on the Bonds for the current Bond Year; provided that, for the purposes of computing the amount required to be on deposit in said Subaccount, there shall be excluded from such deposit the amount, if any, set aside in said Subaccount from the proceeds of Bonds (including amounts, if any, transferred thereto from the Construction Fund or the Capitalized Interest Subaccount, as such term is defined in Appendix C) for the payment of the principal (including Sinking Fund Installments) of or interest on the Bonds;

(e) To the October Subaccount, the amount, if any, required so that the balance in said Subaccount shall equal the October Reserve Requirement;

(f) To the April Subaccount, the amount, if any, required so that the balance in said Subaccount shall equal the April Reserve Requirement;

(g) To the Additional Loan Fund, the amount which will be due on Additional Loans (on the next payment date thereof); and

(h) To the Cash Trap Fund, the balance, if any, of moneys remaining in the Operating Expense Account in excess of \$1,500,000 or such greater amount as may be directed in writing by the Corporation.

Deficiencies Within Funds and Accounts

The Indenture provides that amounts on deposit in certain of the Funds and Accounts established under the Indenture may be used to fund deficiencies in other Funds and Accounts in the following priority of application. See Appendix D under the heading “INDENTURE--Indenture Provisions With Respect to Certain Funds and Accounts--*Transfers Between Funds and Accounts*” for a more detailed statement of these deficiency funding provisions. Reference is made to the Indenture and the sections referred to therein with respect to such priorities.

Operating Expense Account. Moneys in the Cash Trap Fund may be transferred to the Operating Expense Account to make up a deficiency resulting from the amount in the Lockbox Fund being less than \$1,500,000 or such greater amount as may be directed in writing by the Hotel Corporation on the first Business Day of any month. See “THE HOTEL--Qualified Management Agreement--*Accounting System*” for a description of the process by which the Manager may submit Additional Funding Requests for the payment of Operating Expenses in excess of the amounts available for such purpose in the Operating Expense Account for such Operating Month.

Debt Service Subaccount. Moneys in the Cash Trap Fund may be used (after funding on the applicable date the required payments described under “Operating Expense Account” above) to pay any deficiency arising from the amount in the Debt Service Subaccount being less than the principal amount or Redemption Price of, or interest on, the Bonds due on any date on which the interest on the Bonds is payable, or any other date on which the principal or Redemption

Price of, or interest on, Bonds is due (except for amounts due for the redemption of Bonds not from Sinking Fund Installments).

October and April Subaccounts. Moneys in the Cash Trap Fund may be used (after funding on the applicable date the required payments described under “Operating Expense Account” above) to pay any deficiency arising from (1) the amount in the October Subaccount being less than the October Reserve Requirement or (2) the amount in the April Subaccount being less than the April Reserve Requirement on the first Business Day of any month.

Debt Service Reserve Fund

Upon delivery of the Series 2015 Bonds, the Trustee will deposit in the April Subaccount of the Debt Service Reserve Fund an amount equal to the Reserve Requirement (as defined herein). “Reserve Requirement” means the sum of the April Reserve Requirement and the October Reserve Requirement. The April Reserve Requirement is equal to an amount equal to the least of (a) 10% of the original proceeds of the Series 2015 Bonds (less any original issue discount when such original issue discount represents more than a de minimis amount); (b) the maximum annual debt service on the Series 2015 Bonds; or (c) 125% of the average annual debt service on the Series 2015 Bonds. Upon the issuance of a Series of Additional Bonds, the April Reserve Requirement will be an amount equal to the maximum annual Debt Service on all Bonds Outstanding in any Fiscal Year; provided, however, if in the opinion of Bond Counsel a lesser amount is the maximum that may be funded from proceeds of Bonds (without requiring a determination otherwise by the United States Secretary of the Treasury) with respect to any Series of Bonds issued on a tax-exempt basis in order for interest on all Bonds issued on a tax-exempt basis to remain exempt from federal income taxes, then the April Reserve Requirement will be reduced accordingly. No October Reserve Requirement has been established in connection with the Series 2015 Bonds; accordingly, the October Subaccount of the Debt Service Reserve Fund is not currently being funded.

Mortgage

Pursuant to the Mortgage, the Hotel Corporation has mortgaged the Property (as defined in Appendix C) to the Trustee as security for the payment of the principal of, and the premium, if any, and interest on, the Bonds and the performance of all of the covenants of the Hotel Corporation contained in the Mortgage and the Loan Agreement including all future advances and readvances in accordance with Section 29-3-50 of the Code of Laws of South Carolina 1976, as amended. See Appendix D under the heading “MORTGAGE” for a more detailed discussion of the provisions of the Mortgage.

Enforceability

The Bonds and the payment of principal, redemption premium, if any, of and interest thereon are subject to certain limitations on enforceability. See “RISK FACTORS--Enforceability of Remedies.”

Additional Bonds

Under the Indenture, the Authority may issue from time to time Additional Project Bonds and Refunding Bonds (as such terms are defined in Appendix C) secured on a parity in all respects with the pledge of and lien on the Trust Estate securing the Series 2015 Bonds (any and all such Additional Project Bonds and Refunding Bonds are hereinafter referred to as “Additional Bonds” and together with the Series 2015 Bonds, the “Bonds”) upon compliance with the provisions of the Indenture described below.

Additional Project Bonds

One or more Series of Additional Project Bonds may be issued, authenticated and delivered upon original issuance for the purpose of financing or refinancing the construction, installation and equipping of additions, renovations, betterments, extensions or improvements to the Hotel. Additional Project Bonds issued for such purposes shall be issued in a principal amount not to exceed, together with other moneys available therefor, the Hotel Corporation’s estimate of the reasonable costs of the project to be financed or refinanced with the proceeds of the sale of such Additional Project Bonds, including providing amounts for the costs incidental to or connected with any such financing or refinancing and the making of any deposits into the Debt Service Reserve Fund and any of the funds and accounts required by the provisions of the Supplemental Indenture authorizing such Series of Additional Project Bonds.

Additional Project Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the other documents required by the Indenture) of (1) an Accountant's Certificate (as defined in Appendix C) (upon which the Trustee may conclusively rely) to the effect that (a) the Debt Service Coverage Ratio, taking into account all Outstanding Bonds and the Series of Bonds proposed to be issued, for each of the most recent two complete Fiscal Years for which audited financial statements are available, is not less than 1.5:1.0 and (b) the Projected Debt Service Coverage Ratio (as defined in Appendix C), taking into account all Outstanding Bonds and the Series of Bonds proposed to be issued, is not less than 1.5:1.0 for each of the three Fiscal Years succeeding the projected date of completion of the project to be funded with such Bonds; and (2) the written consent of the Manager and the Subordinate Noteholders (as defined in Appendix C) to the issuance of such Bonds.

Refunding Bonds

One or more Series of Refunding Bonds may be issued, authenticated and delivered to refund all or any portion of the Outstanding Bonds of one or more Series including any portion of any maturity within one or more Series. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding including providing amounts for the costs incidental to or connected with any such financing and the making of any deposits into the Debt Service Reserve Fund and any of the funds and accounts required by the provisions of the Supplemental Indenture authorizing such Series of Refunding Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon:

(a) Receipt by the Trustee of evidence that upon issuance of the Refunding Bonds and satisfaction of the conditions set forth in the provisions of the Indenture described under the caption "INDENTURE--Defeasance--*Deposit of Money or Securities with Trustee*" in Appendix D, the Bonds (or portions thereof) being refunded shall be deemed paid pursuant to the provisions of the Indenture described under the caption "INDENTURE--Defeasance--*Discharge of Liability on Bonds*" in Appendix D;

(b) Receipt by the Trustee of the documents required for the issuance of Bonds under the Indenture; and

(c) Receipt by the Trustee of either (i) a Certificate of Reduction in Debt Service (as defined in Appendix C) or (ii) an Accountant's Certificate to the effect that (A) the Debt Service Coverage Ratio, taking into account the Series of Bonds proposed to be issued and all Outstanding Bonds (other than any Bonds proposed to be refunded with proceeds of such Refunding Bonds) for each of the most recent two complete Fiscal Years for which audited financial statements are available is not less than 1.5:1.0 and (B) the Projected Debt Service Coverage Ratio is not less than 1.5:1.0 for each of the three Fiscal Years succeeding the date of issuance of such Refunding Bonds.

REVENUE COVENANT AND CERTAIN OTHER COVENANTS

Revenue Covenant

The Hotel Corporation has covenanted in the Loan Agreement to operate or cause the Hotel to be operated as a revenue-producing facility and exercise such skill and diligence as needed to maximize the net income from the Hotel after consideration of all expenses of operation, maintenance and repair of the facilities, principal and interest on the Bonds, and all other payments required to be made under the Loan Agreement or in connection therewith. The Hotel Corporation also covenants and agrees to exercise the full discretion, power and authority provided to it under the Qualified Management Agreement, including but not limited to its rights and authority to review, comment and grant or withhold approval of the Operating Plan and Budget (including the Capital Budget contained therein) in order to cause the Manager to operate the Hotel in a manner to generate Net Revenues (as defined in Appendix C) in each Operating Year sufficient to produce a Debt Service Coverage Ratio which is not less than 1.35:1.0 for the Fiscal Year (the "Debt Service Coverage Requirement"). The Debt Service Coverage Ratio is defined to mean, for any period, a quotient obtained by dividing (a) by (b), where (a) is equal to Gross Revenues, net of Operating Expenses, Administrative Expenses, real property taxes, assessments, fee or payments in-lieu-of-taxes and insurance premiums, and less all income, profits and other income received from the investment of moneys in the Funds and Accounts created under the

Indenture as determined under Generally Accepted Accounting Principles (as defined in Appendix C) for such period (provided that such calculation shall not take into account depreciation, amortization or other non-cash expenses), and (b) is equal to the Debt Service for such period, except for purposes of satisfying the tests set forth in the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Additional Bonds," for which (b) shall be equal to the Maximum Annual Debt Service (as defined in Appendix C) with respect to the applicable Bonds. See "RISK FACTORS--Limited Rights under Qualified Management Agreement" for a discussion of the Hotel Corporation's ability to change the manner in which the Manager is operating the Hotel.

Within (i) 60 days after the end of each fiscal quarter, the Hotel Corporation shall compute the Debt Service Coverage Ratio for the 12-month period then ended, and (ii) 120 days after the end of each Fiscal Year, the Hotel Corporation shall cause an Accountant (as defined in Appendix C) to compute the Debt Service Coverage Ratio for the Fiscal Year then ended, and, in both cases, shall promptly furnish to the Trustee a statement setting forth the results of such computation. If at the end of any two consecutive quarters or the end of any Fiscal Year, the Debt Service Coverage Requirement was not achieved, the Hotel Corporation will, within 30 days after the date on which the applicable financial statements were due, employ a Consultant (as defined in Appendix C) to deliver within 90 days after the date on which the applicable financial statements were due, its written recommendations as to the operation of the Hotel which will result in satisfying the Debt Service Coverage Requirement. No later than 60 days after the Trustee has received the Consultant's written recommendations, the Hotel Corporation shall follow the recommendations to the extent feasible and to the extent permitted by law and by the terms of the Qualified Management Agreement. Provided that the Debt Service Coverage Ratio is at least equal to 1.0 for each Operating Year, the Hotel Corporation will be deemed to have complied with the Debt Service Coverage Requirement for such Operating Year irrespective of whether the Debt Service Coverage Ratio is less than the Debt Service Coverage Requirement, if (1) (a) the Hotel Corporation fulfills all of its requirements under this caption "Revenue Covenant" and (b) the recommendations of the Consultant are implemented unless implementing the recommendations of the Consultant would be inconsistent with maintaining the tax-exempt status of the Bonds, or would be in violation of other provisions of the Qualified Management Agreement) and (2) no Event of Nonappropriation shall have occurred. Notwithstanding anything set forth above, the provisions of the Loan Agreement described under this caption "Revenue Covenant" shall not be construed as in any way excusing the Hotel Corporation from taking any action or performing any duty required under the Loan Agreement or be construed as constituting a waiver of any other event of default under the Loan Agreement.

Insurance Requirements

The Loan Agreement provides that the Hotel Corporation shall cause the Hotel and its operations to be adequately insured at all times and shall therefore maintain or cause to be maintained and will pay or cause to be paid the premiums for such insurance (including programs of self-insurance or other alternative risk financing programs approved by the Hotel Corporation) of a type and amount commensurate with the risk of loss arising out of the ownership and operation of facilities of a similar size and character, as further set forth in the Loan Agreement.

Disposition of Insurance and Condemnation Proceeds

The Loan Agreement provides that in the event of any damage, destruction, condemnation or taking under the threat of condemnation with respect to the Hotel, the Hotel Corporation will promptly engage the services of a Consultant, which shall, within 30 days after the occurrence of such damage, destruction, condemnation or taking, make a determination as to the amount of the proceeds of insurance maintained by the Hotel Corporation against any risk of loss or damage from a covered peril and the condemnation proceeds of any Taking (as defined in Appendix C) with respect to the Hotel anticipated to result therefrom (such amount, less the costs and fees of the Trustee, the "Available Proceeds"). The Available Proceeds shall be deposited with the Trustee into the Insurance and Condemnation Proceeds Fund and applied as follows:

(a) if the Available Proceeds are equal to or less than \$2,000,000, such Available Proceeds shall be applied to repair, restore, modify, improve or replace the Hotel or to reimburse the Hotel Corporation for costs paid by it in connection therewith upon receipt of a requisition setting forth certain information required by the Loan Agreement signed by an Authorized Representative of the Hotel Corporation, and the remaining Available Proceeds (if any) shall be deposited into the Debt Service Subaccount, and

(b) if the Available Proceeds are greater than \$2,000,000, the Hotel Corporation will within 30 days request that the Consultant prepare a report to determine if (1) the repair, reconstruction, restoration or

replacement of the Hotel, or portion thereof, damaged or taken is economically feasible and will restore the Hotel to a physical and operating condition substantially comparable to its condition prior to the event of damage, destruction or taking, (2) the Hotel Corporation will have sufficient funds from the Available Proceeds, business interruption and extra expense insurance proceeds and other available funds to make the payments required under the Loan Agreement when due, to pay the cost of repairing, reconstructing, restoring or replacing the portion of the Hotel affected by such loss, damage or condemnation (including without limitation architects' and attorneys' fees and expenses) and to pay Operating Expenses until completion of the repair, reconstruction or replacement of the Hotel and (3) reconstruction of the Support Facilities can be properly coordinated with the reconstruction of the Hotel, given the provisions of the financing documents relating to the Center, the construction contracts relating to the Center and the Hotel, and other relevant factors, which report shall be delivered to the Trustee within 60 days of the occurrence of such damage, destruction, condemnation or taking. If the report determines that the foregoing conditions are satisfied, then the Hotel Corporation will deliver certain documents pursuant to the Loan Agreement within 30 days after delivery of such report, and the Hotel Corporation will promptly proceed to repair, reconstruct and replace the affected portion of the Hotel, including all fixtures, furniture and equipment and effects, to its original condition to the extent possible.

However, if the report so delivered determines that the conditions set forth in the foregoing paragraph are not satisfied, or fails to determine that such conditions are satisfied, the Hotel Corporation will prepay the Loan Repayments and will furnish to the Trustee prompt notice to cause the redemption of the Bonds from amounts on deposit in the Insurance and Condemnation Proceeds Fund as further described under the caption "THE SERIES 2015 BONDS--Redemption Provisions--*Optional Redemption*" above or if the Bonds are not then redeemable under the Indenture, effect the defeasance of the Bonds. If such Available Proceeds are insufficient to redeem the Bonds in full, the Hotel Corporation is required to provide to the Trustee moneys which, together with the Available Proceeds, will be sufficient to redeem or defease all of the Bonds.

If the Hotel Corporation has completed any repair, reconstruction or replacement of the Hotel after the occurrence of any damage, destruction or condemnation, and there are excess Available Proceeds, such excess will be deposited, first, into the Redemption Subaccount and applied to the redemption of the Bonds on the first available redemption date.

Notwithstanding anything in this caption "Disposition of Insurance and Condemnation Proceeds" to the contrary, (i) all condemnation proceeds resulting from a temporary Taking which are not attributable to compensation for alterations or physical damage to the real or personal property used in the operation of the Hotel (as certified to the Trustee by the Hotel Corporation) shall be deemed Gross Operating Revenues and deposited into the Operating Expense Account, (ii) the proceeds of any business interruption and extra expense insurance (other than business interruption and extra expense insurance awards in respect of Project guestrooms) maintained pursuant to the Loan Agreement shall be deposited in the Business Interruption Account (as defined in Appendix C) established under the Indenture and applied as provided therein, and (iii) the proceeds of any title insurance shall, (1) if the title defect with respect to which such proceeds were paid, or the consequences thereof, can be remedied by the payment of such proceeds, be applied to remedy such defect, or (2) if the proceeds are not sufficient to remedy such defect or the consequences thereof, unless otherwise directed by Holders of a majority of the principal amount of the Bonds, be deposited to the Redemption Subaccount and applied to the redemption of the Bonds on the first available optional redemption date.

Annual Budget

On or before the date that is 60 days prior to the commencement of each Operating Year, the Hotel Corporation shall cause the Manager to prepare and submit to the Hotel Corporation and the Trustee the proposed Operating Plan and Budget, including the Capital Budget, for the upcoming Operating Year (collectively, the "Proposed Budget Documents") for the Hotel Corporation's review and approval.

The Hotel Corporation shall notify the Manager and the Trustee within 30 days of its receipt of the Proposed Budget Documents whether it does or does not approve of the same (and it shall not unreasonably withhold its approval of the same); provided, however, that, as long as the Debt Service Coverage Ratio for the prior Fiscal Year is equal to or greater than 1.35, the Hotel Corporation may withhold its approval (to the extent it has the right to do so under the Qualified Management Agreement) of the same only if (i) the Proposed Budget Documents will not allow the Hotel to be operated in accordance with the Operating Standards (as defined in Appendix C); (ii) the overall amount or any line

item of either of the Proposed Budget Documents is not reasonable as compared to industry standards for comparably situated “upscale” convention hotels (as categorized by J. D. Powers and Associates in its annual study of upscale hotel chains); or (iii) the Operating Plan and Budget does not project (a) payment in full of the Accrued Aggregate Debt Service that is expected to be payable for the upcoming Operating Year, (b) projects that the Debt Service Coverage Requirement (including, for purposes of this paragraph only, the City Bonds Rent) will not be met for the upcoming Operating Year and (c) that the Hotel Corporation will otherwise meet all covenants under the Bond Documents.

If the Hotel Corporation and the Manager are unable to agree on all or any portion of the Operating Plan and Budget for any year, the Hotel Corporation shall not permit the Manager to pay any amounts except the following: (i) the expense line items of the prior year's Operating Plan and Budget (with the increase or decrease based upon the change in the consumer price index), (ii) debt service payments and any other non-discretionary expenses which are determined by a third party or governmental entity such as utility rates, insurance premiums, minimum wages under collective bargaining agreements and taxes, (iii) all other reasonable expenses necessary to be incurred in order to operate the Hotel consistent with the Operating Standards and other “upscale” convention hotels (including but not limited to purchasing food and beverage supplies, dealing with special or unforeseen circumstances, force majeure or Hotel Corporation's default under the Loan Agreement) provided that, in no event shall the Hotel Corporation permit the Manager to make any expenditures for Capital Expenses without the Hotel Corporation's approval (except pursuant to clause (iv) below), and (iv) any Capital Expenses for the current Operating Year that were contemplated in the Capital Budget approved for the prior Operating Year, only to the extent such Capital Expenses are regularly recurring expenses, and may expend an amount not to exceed \$80,000 in any 12-month period if the Manager reasonably believes such expenditure to be required by any Emergency Situation as defined for purposes of the Loan Agreement (provided that the Manager notifies the Hotel Corporation in writing of such expenditure as soon as practicable and describes the reasons therefor).

If the Manager desires to adjust the Operating Plan and Budget (and, if applicable, the Capital Budget contained therein), the Hotel Corporation shall permit the Manager to propose from time to time changes based on actual results which proposed changes shall be treated as the submission of a new Operating Plan and Budget, and shall therefore be subject to the terms and provisions of the Qualified Management Agreement.

The Hotel Corporation shall file or cause to be filed with the Trustee the approved Operating Plan and Budget prior to the commencement of the applicable Operating Year (or as soon thereafter as is practicable if the same shall have been submitted to the Expert Resolution Process and not then available), and any approved adjustments thereto as soon as practicable.

Restrictions on Leases, Contracts, Transfers and Assignments

The Hotel Corporation covenants and agrees not to sell, lease, loan or otherwise dispose of any of its assets in any Fiscal Year with a net book value in excess of two percent of Consolidated Net Tangible Assets (as defined in Appendix C) unless any assets in excess of such limitation are sold, leased, loaned or disposed of (a) in the ordinary course of business, (b) the Hotel Corporation receives an asset or service of equal or greater value in exchange for such asset or (c) such asset is obsolete. The Hotel Corporation covenants and agrees not to sell, lease, loan or otherwise dispose of all or any part of the Hotel unless (i) no Bonds remain Outstanding pursuant to the Indenture or (ii) such disposition contemporaneously permits the defeasance of the Bonds. Notwithstanding the foregoing, the Hotel Corporation shall not expend, apply or dispose of any cash other than as permitted by the Indenture.

The Hotel Corporation further covenants and agrees that it will not create, assume or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (a “security interest”) upon any of its property or revenues, whether such property is now owned or hereafter acquired, other than (1) Permitted Encumbrances (as defined in Appendix C) or (2) to further secure the Bonds. Notwithstanding the foregoing, the Hotel Corporation shall be permitted to encumber its property or revenues on a subordinate basis to the Bonds to secure any advance made to the Hotel Corporation in the form of an Additional Loan (as defined in Appendix C). The Hotel Corporation covenants and agrees that it will not incur any Indebtedness, or assume or guarantee any Indebtedness of the City or any other entity, other than (a) in the ordinary course of its business as such business is described in the provisions of the Loan Agreement under the caption “LOAN AGREEMENT--Particular Covenants--*Sole Purpose Corporation*” in Appendix D, (b) Indebtedness incurred under the Loan Agreement in connection with the issuance of the Bonds in accordance with the provisions of the Indenture, and (c) Additional Loans.

RISK FACTORS

The paragraphs below discuss certain risks assumed by the Holders of the Series 2015 Bonds, but are not intended to be a complete enumeration of all risks associated with the purchase or holding of Series 2015 Bonds. The order in which the following factors are presented is not intended to be reflective of the relevant importance of any such risks.

General

The Authority has no assets with which to pay Debt Service on the Series 2015 Bonds except its right to receive Loan Repayments from the Hotel Corporation. The Hotel Corporation has no assets or operations other than those related to the Hotel. The Hotel Corporation's ability to derive Gross Available Revenues from the use and operation of the Hotel in amounts sufficient to sustain operations of the Hotel and pay Debt Service on the Series 2015 Bonds depends upon numerous factors, many of which are not within the control of the Hotel Corporation. Further, additional and as-yet-unforeseeable considerations may develop in the future that may significantly affect the operation of the Hotel. Described below are certain factors that could affect future use and operation of the Hotel, and the ability of the Hotel Corporation to make payments to the Authority to pay Debt Service on the Series 2015 Bonds.

Operational Risk

The Series 2015 Bonds are special, limited obligations of the Authority payable solely from amounts received from the Trust Estate under the Indenture. Any factor that adversely affects the receipt of Gross Available Revenues, therefore, creates a risk that Debt Service on the Series 2015 Bonds will not be paid when due. The principal source of Gross Available Revenues will be room rentals, food sales to guests of the Hotel remaining after payment of Operating Expenses, certain administrative expenses, taxes, insurance and reserves for repair and replacement. The primary risk associated with the receipt of room rentals and food sales is the occupancy level of the Hotel. Because Operating Expenses, certain administrative expenses, taxes, insurance and reserves for repair and replacement are paid or funded from Gross Revenues before Debt Service on the Series 2015 Bonds, any factor that increases such amounts creates a risk that Debt Service on the Series 2015 Bonds will not be paid when due. Some of the factors that may adversely affect the receipt of Gross Revenues are discussed below.

Real Estate Investment Considerations

General

Repayment of the Series 2015 Bonds will be dependent primarily on the cash flow derived from, or the amounts realized from the sale or liquidation of, the Hotel. Commercial real estate values can be affected significantly by supply and demand in the market for the applicable type of property and, therefore, may be subject to adverse economic conditions. Market values may vary as a result of economic events, seasonality or governmental regulations outside the control of the Hotel Corporation, which factors may impact the future cash flow of the Hotel.

Risk of Income-Producing Property

The timely payment of interest and principal on the Series 2015 Bonds is secured by income-producing properties and, therefore, is dependent upon occupancy rates and the successful operation of the Hotel, rather than upon the liquidation value of the Hotel. If the net operating income from the Hotel is reduced (for example, if occupancy rates decline or operating expenses increase), the Hotel Corporation's ability to make Loan Repayments may be impaired. Furthermore, the liquidation value of the Hotel may be adversely affected by risks generally incident to interests in real property, including changes in economic conditions or tourism, declines in real estate values, declines in rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses including energy costs, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, and other factors which are beyond the Hotel Corporation's or the Manager's control. See "Hurricane Risks" herein.

Risks Associated with Hotel Operations

A number of factors, many of which may be beyond the control of the Hotel Corporation, the Licensor or the Manager, could have an adverse impact on the revenues, expenses and value of the Hotel, including adverse changes in

the national economy and levels of tourism and demand for the Center, competition from other hotels, real property tax rates, sales taxes, energy costs, governmental rules and policies (including environmental restrictions and changes in zoning and land use), potential environmental and other liabilities, interest rate levels and tax laws affecting real estate. See "Hurricane Risks" herein.

Occupancy Rate and Room Rate Risks

Revenue from the Hotel is largely generated from the rental of hotel rooms. The Hotel Corporation's ability to make Loan Repayments largely depends on the occupancy rates and ADRs at the Hotel and the ability of the Hotel Corporation to maintain occupancy volume at a level that does not adversely affect the Hotel's cash flow. Key factors affecting the amount of revenues generated from the rental of hotel rooms include the Hotel's brand name recognition, market support and reservation systems. Occupancy and ADRs will also be affected by factors outside the control of the Hotel Corporation, such as general levels of convention business, tourism and seasonality. Such fluctuations may adversely affect the amount and timing of the Loan Repayments and, consequently, adversely affect the amount and timing of amounts available to pay Debt Service on the Series 2015 Bonds.

Ad Valorem Taxation

Absent a constitutional or statutory exemption, real and personal property located in the State is subject to ad valorem taxation. The amount of ad valorem taxes due in any tax year on taxable property is equal to the assessed value of the subject property times the applicable assessment ratio times the applicable millage rate. The Hotel is comprised of real property, including the buildings and improvements in the Hotel (including the garage) and the Support Facilities (collectively, the "Real Property"), and personal property (the "Personal Property"). Unless exempt from taxation, real property, such as buildings, improvements to real property and fixtures is taxed at a rate using an assessment ratio of six (6%) percent; personal property is taxed at a rate using an assessment ratio of ten and one-half (10.5%) percent.

The Hotel Corporation and the City have requested and obtained a written statement from the South Carolina Department of Revenue (the "Department") as to whether the Real Property and the Personal Property qualifies for an exemption from ad valorem taxation in the State pursuant to Article X, Section 3(a) of the South Carolina Constitution and Section 12-37-220(A)(1), Code of Laws of South Carolina 1976, as amended. The Department has advised the Hotel Corporation and the City that the Real Property and Personal Property should qualify for an exemption, provided that (1) the City, by official action, is on record that the Hotel is used "exclusively for public purposes;" and (2) the county assessor for the County (the "County Assessor") agrees that the property is used exclusively for public purposes. The City Council has made the requisite finding and the County Assessor, by letter dated April 17, 2001, indicated his agreement that the use of the Hotel property as described therein, would constitute use exclusively for public purposes. Pursuant to Section 12-4-720, Code of Laws of South Carolina 1976, as amended, no application for exemption is required to be filed with the Department or the County Assessor. The exemption will be effective until such time as the Department revokes such exemption.

Section 4-12-20, Code of Laws of South Carolina 1976, as amended (the "Fee-in-Lieu Statute"), provides that every lease agreement between a municipality and another party must contain a provision requiring the other party (i.e., the lessee) to make payments in lieu of taxes, in the amounts that would result from taxes levied on the project by a county, municipality, school district, water and sewer authority, and other political subdivisions, if the project were owned by the lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the lessee if it were owner of the project. No binding case law exists at present and no opinion of legal counsel is expected to be given when the Series 2015 Bonds are delivered as to whether the Hotel, by operation of the Site and Support Facilities Lease between the City and the Hotel Corporation, will be subject to the Fee-in-Lieu Statute, and, therefore, subject to the imposition of a fee equal to the property taxes that would have been otherwise due pursuant to the Fee-in Lieu Statute. The Department has taken the position that the Department has no jurisdiction over matters governed by Section 4-12-20, and that jurisdiction of such matters is vested in the County. The County Assessor has advised the Hotel Corporation in writing that he believes that the Fee-in-Lieu Statute does not apply to the Site and Support Facilities Lease between the City and the Hotel Corporation, because the Hotel Corporation is so closely connected and controlled by the City that it is an instrumentality of the City and therefore is not "another party" from the City within the meaning of said statute. Counsel for the Hotel Corporation will opine that, while the issue is not free from doubt, the County Assessor's view that said statute does not apply is a reasonable interpretation of the Fee-in-Lieu Statute and will more likely than not be upheld if challenged.

The Hotel has been in operation for 11 years and during such time, neither ad valorem taxes nor fees in lieu thereof have been imposed with respect to the Hotel. Based upon the position of the Department and the County Assessor and the advice of its counsel, the Hotel Corporation believes that neither ad valorem taxes nor fees in lieu thereof imposed under the Fee-in-Lieu Statute should be assessable with respect to the Hotel going forward. No assurance can be given that ad valorem taxes will not be assessed against the Hotel or that the Fee-in-Lieu Statute, whether by legislation or by court action as a result of a lawsuit brought by a taxpayer or otherwise, presently applies or will be determined to apply to the subject transaction or that such application would necessitate the collection of a fee equal to the ad valorem taxes due as to the Real Property and the Personal Property. In the event of a determination by the Department or other person or entity having jurisdiction that the property tax exemption was improperly granted due to incomplete, misleading or fraudulent information furnished by the applicant, the Hotel Corporation could be liable for the payment of back taxes for up to three prior years plus a penalty of ten percent of the amount due. In the event of a determination that the Fee-in-Lieu Statute is applicable, the number of years for which the Hotel Corporation would be liable for back payments is unclear.

If the Fee-in-Lieu Statute applies, the County would be required to collect from the Hotel Corporation the fee in lieu of the ad valorem taxes which would otherwise be payable, or the applicable ad valorem taxes, and would be required by law to distribute the amounts collected to the School District, the County and the City.

Under the Site and Support Facilities Lease, the City has agreed to pay any ad valorem taxes or fees in lieu thereof with respect to the Hotel due to the City. The Site and Support Facilities Lease contains a provision whereby the City agrees that rental payments to the City thereunder will be abated to the extent the City does not pay the ad valorem taxes or fees in lieu thereof due to it with respect to the Hotel. It should be noted that, if the City fails to pay the ad valorem taxes or fee-in-lieu thereof due the City as covenanted in the Site and Support Facilities Lease, the rent abatement provision in the Site and Support Facilities Lease would provide limited or no benefit to the Hotel Corporation if the Gross Available Revenues generated by the Hotel are insufficient to pay the City's rental obligation under the Site and Support Facilities Lease.

Under the Indenture, taxes are paid from amounts on deposit in the Taxes and Insurance Fund, which amounts are funded prior to deposits to all other funds and accounts under the Indenture from amounts on deposit in the Operating Expense Account, after payment of Administrative Expenses (if any) to the Hotel Corporation and/or the Trustee. The amount deposited into the Taxes and Insurance Fund (e.g., the Taxes and Insurance Set Aside Amount) for each month is determined in advance and set forth in the Operating Plan and Budget for the Operating Year in which such month falls. If there is ad valorem tax or fee-in-lieu of tax liability during an Operating Year, such liability will have the effect of reducing the amounts available to the Trustee to pay debt service on the Series 2015 Bonds and to satisfy other funding requirements under the Indenture.

Limited Rights Under Qualified Management Agreement

Under the Qualified Management Agreement, the Hotel Corporation grants to the Manager the sole and exclusive right to manage and Operate the Hotel during the Management Term in accordance with the Operating Standards. The Hotel Corporation has limited rights under the Qualified Management Agreement to control the operation of the Hotel by the Manager or to direct the Manager to make changes in the manner in which it is Operating the Hotel. The Hotel Corporation has the right to terminate the Manager with respect to continued failures to Operate the Hotel according to certain performance-related standards as set forth in the provisions of the Qualified Management Agreement described in paragraph (b) under the caption "THE HOTEL--Qualified Management Agreement--*Events of Default and Termination*" herein. In addition, the Hotel Corporation is entitled to withhold its approval of the Operating Plan and Budget submitted by the Manager for the upcoming Operating Year under certain specified conditions set forth in the provisions of the Loan Agreement described under the caption "REVENUE COVENANT AND CERTAIN OTHER COVENANTS--Annual Budget." The Loan Agreement requires the Hotel Corporation to employ a Consultant to make recommendations if the Debt Service Coverage Requirement is not met for the preceding Operating Year and the Qualified Management Agreement requires the Manager to adhere to the requirements of the provisions of the Loan Agreement described in the second paragraph under the caption "REVENUE COVENANT AND CERTAIN OTHER COVENANTS--Revenue Covenant" above, regarding Consultant recommendations, subject to certain restrictions set forth in the provisions of the Loan Agreement described under the heading "LOAN AGREEMENT--Particular Covenants--*Consultant Recommendations*" in Appendix D. Disagreements between the Manager and the Hotel Corporation regarding the proposed Capital Budget or Operating Plan and Budget, including, without limitation, recommendations of the Consultant with respect to such matters, will be resolved through the Expert Resolution Process,

if necessary. While any disagreement is being resolved, the Proposed Budget Documents, as applicable, will govern the areas of operations not in dispute, and the prior Operating Year's Operating Plan and Budget (only to the extent of regularly recurring Capital Expenses or items set forth in the most recently approved Capital Budget, as applicable) will control as to the disputed issues, subject to certain limitations.

Expiration or Early Termination of or Failure to Renew Qualified Management Agreement

The Management Term under the Qualified Management Agreement expires on March 31, 2020, which is earlier than the final maturity date of the Series 2015 Bonds. In addition, the Qualified Management Agreement may be terminated earlier upon the occurrence of certain events, including the bankruptcy of the Manager. The operating results for the Hotel are dependent in part upon the existence of the Qualified Management Agreement or an agreement entered into by the Hotel Corporation with substantially the same terms as the Qualified Management Agreement. If the Qualified Management Agreement expires, terminates or is not renewed prior to the final maturity of the Series 2015 Bonds, no assurance can be given as to the nature of the terms contained in any new Qualified Management Agreement.

Expiration or Early Termination of or Failure to Renew License Agreement

The License Agreement expires on September 30, 2024, which is earlier than the final maturity date of the Series 2015 Bonds. In addition, the License Agreement may be terminated earlier upon the occurrence of certain events. The operating results for the Hotel are dependent in part upon the existence of the License Agreement or a substantially similar License Agreement. If the License Agreement expires, terminates or is not renewed prior to the final maturity of the Series 2015 Bonds, no assurance can be given as to the nature of the terms contained in any new License Agreement.

Enforceability of Remedies

The enforceability of the rights and remedies of the Holders of the Series 2015 Bonds under the Series 2015 Bonds, the Indenture, the Loan Agreement and the various other agreements and contracts described herein may be subject to bankruptcy, insolvency, reorganization, moratorium, redemption, fraudulent transfer and other similar laws affecting the rights of creditors generally, and the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or equity). In addition, because of the governmental nature of the Hotel Corporation, it may be able to successfully assert certain defenses to actions taken by creditors which might not be applicable to for-profit private-sector borrowers. Bankruptcy proceedings or the exercise of other powers of the federal government, or the exercise of the police powers of the State, if initiated, could subject persons attempting to enforce rights and remedies to judicial discretion and interpretation of rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of rights. Under the United States Bankruptcy Code (Title 11 of the United States Code) (the "Bankruptcy Code"), in the event the Hotel Corporation or the Manager files a petition in bankruptcy, the enforcement of a lien on the assets of such party will be stayed, with the result that the payments or performance by such party after filing such petition may be subject to a plan for the adjustment of debts approved by the bankruptcy court. The opinions of counsel to be delivered at the closing of the sale of the Series 2015 Bonds will contain qualifications as to the enforceability of such documents for such matters.

The Hotel Corporation, the City and the Licensor have covenanted in the Loan Agreement, the Site and Support Facilities Lease, and the License Agreement, respectively, not to take certain actions in competition with the Hotel or the Center. In rendering their opinions as to the enforceability of the Loan Agreement and the Site and Support Facilities Lease, Bond Counsel and counsel for the City, respectively, will express no opinion as to the enforceability of such non-compete covenants.

Limited Recourse on Default

The Trustee and/or the Authority must look primarily to the Hotel to pay and satisfy the Series 2015 Bonds in accordance with their terms. The Holders of the Series 2015 Bonds will be dependent entirely upon the success of the Hotel and the value of such assets for the payment of the principal of, premium, if any, and interest on the Series 2015 Bonds. In the event the Net Revenues are insufficient to pay the amounts due on the Series 2015 Bonds, then once the other security for the Series 2015 Bonds has been exhausted, the Holders of the Series 2015 Bonds will have no person or entity to pursue for any deficiency which may exist. The practical use of the Hotel is limited to its use as a hotel and parking garage. Pursuant to the Mortgage, after a default the Trustee has the power (but not the obligation) to foreclose on the Hotel Corporation's interest in the Hotel and to enter, possess and operate the Hotel. If it were necessary to

foreclose upon the lien of the Mortgage and sell the Hotel Corporation's interest in the Hotel, net proceeds received therefrom may be less than the principal amount of and accrued interest on the Series 2015 Bonds. The Mortgage also contains provisions relating to usual powers of foreclosure. If the Trustee has elected to operate the Hotel, it may then have no alternative but to continue to operate the Hotel under circumstances in which the Hotel may not be generating sufficient revenues to pay all debt service on the Series 2015 Bonds as and when due. (The Trustee has no obligation to expend its own funds in operation of the Hotel, or the exercise of any other remedy the Trustee may have.)

Liquidation of Security and Insurance Proceeds May Not be Sufficient in the Event of Default

The Holders of the Series 2015 Bonds must look primarily to amounts received from the Trust Estate to pay and satisfy the Series 2015 Bonds in accordance with their terms. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The Indenture and the Loan Agreement provide that in the event of damage, destruction, condemnation or taking with respect to the Hotel, the Authority will apply the Available Proceeds either to repair or replace the Hotel, or to redeem or defease all or a portion of the Bonds as described under the caption "THE SERIES 2015 BONDS--Redemption Provisions." See "REVENUE COVENANT AND CERTAIN OTHER COVENANTS--Disposition of Insurance and Condemnation Proceeds." The Hotel Corporation is required to maintain casualty insurance, subject to a reasonable deductible per accident or casualty, in an amount equal to at least the lesser of the full replacement value of the Hotel less the then current value of the underlying land, or the aggregate principal amount of the outstanding Bonds. See "REVENUE COVENANT AND CERTAIN OTHER COVENANTS-Insurance Requirements."

No appraisal has been undertaken to ascertain the value of the Hotel. Therefore, there is no assurance that proceeds from the sale of the Hotel Corporation's interest in the real and personal property relating to the Hotel pursuant to the exercise of remedies under the Mortgage, combined with any other proceeds of insurance, would produce sufficient revenues to repay all Series 2015 Bonds outstanding. Moreover, real property values relating to the Hotel may decline or the Trustee may be unable to sell the real and personal property in the event of an exercise of remedies under the Mortgage. In such event, there may be insufficient available funds to repay Series 2015 Bonds in a principal amount sufficient to reduce debt service to a level that can be supported by the Net Revenues from any remaining real and personal property.

The use and disposition of any proceeds of insurance of condemnation awards with respect to the Support Facilities is governed by the Trust Agreement and the Facilities Lease (as such terms are defined herein). The Trustee will not have any claim to such proceeds or condemnation awards in the event such moneys are not applied to repair, replace, renew or improve the Support Facilities.

Lease Purchase Financing

The 1994 expansion and renovation of the Center was refinanced with the proceeds of the \$9,820,000 original principal amount City of Myrtle Beach, South Carolina, Myrtle Beach Public Facilities Corporation, Refunding Certificates of Participation (Myrtle Beach Convention Center), Series 2010 (the "Certificates"), of which \$4,735,000 in aggregate principal components are outstanding. The Certificates were issued pursuant to a Trust Agreement dated as of March 1, 1998 between the Facilities Corporation and the Trustee, as supplemented and amended by a First Supplemental Trust Agreement dated as of April 1, 2010 (together, the "Trust Agreement"). The Certificates, which have a final maturity of July 1, 2017, evidence undivided interests of the owners thereof in certain revenues, payments and base rentals to be made by the City under a Facilities Lease Agreement dated as of March 1, 1998, as amended (the "Facilities Lease"), entered into between the City and the Facilities Corporation. In connection with the transaction, the City, which holds title in fee simple to the real property on which the Center is located, leased the real property to the Facilities Corporation for \$1.00 per year pursuant to a Base Lease Agreement dated as of March 1, 1998, as amended (the "Base Lease"). Pursuant to the Facilities Lease, the Facilities Corporation leased the real property and improvements composing the Center back to the City for a term ending July 1, 2017. Rentals under the Facilities Lease, which include the principal and interest components of the Certificates, are payable solely from amounts annually appropriated for such purpose by the City Council of the City, and the Facilities Lease will terminate in the event of (1) a failure of the City Council timely to make appropriations for such purpose (an "Event of COPs Nonappropriation"), (2) the purchase by the City of the Facilities Corporation's interest in the Center or (3) the occurrence of an event of default under the Facilities Lease. Internally, the City utilizes a portion of the occupancy tax, business license fees and property taxes to fund appropriations for the annual lease payments for the Center. The stated term of the Base Lease is through July 1, 2032, but is subject to earlier termination upon payment by the City of all amounts due under the

Facilities Lease. In the event of a termination of the Facilities Lease after an Event of COPs Nonappropriation or after the occurrence of an event of default thereunder, U.S. Bank National Association, as Trustee for the owners of the Certificates, will be entitled to exercise all rights and remedies which it may have under the Trust Agreement, including but not limited to, entering upon the Center and reletting or making other arrangements which may give rise to the receipt of income therefrom.

Reliance upon Center

The ability of the Center to attract City-wide and large conventions has a direct impact on the success of the Hotel. The Center's operations may be affected by casualty losses at the Center or trends in the convention industry, which are further affected by political, economic or other events beyond the control of the Hotel Corporation or the Manager. For more information regarding the Center, see "THE CONVENTION CENTER."

Hurricane Risks

In several of the recent summer and early autumn seasons, hurricanes or hurricane warnings have resulted in governmentally-ordered evacuations of the coastal areas of the County, including the City. If such an evacuation should occur, it is expected that the Hotel will lose revenues for the period of evacuation and for a short time thereafter, until activity returns to normal levels. The magnitude of the loss of revenues which would result would be dependent on the length of the period of interruption, and could be substantial. Further, potential hurricanes may adversely affect the Manager's ability to book conventions during hurricane season. While the Hotel is located inland from the beach area, if a hurricane were to strike, the Hotel or other areas of the City could experience substantial damage, which could cause the Hotel to cease or limit operations for a period of time. While the Hotel Corporation expects to maintain business interruption and other insurance to cover such events and such insurance is required to be maintained at a level sufficient to pay scheduled installments of interest on and principal and redemption premium, if any, of the Series 2015 Bonds, no assurance can be given that payments under such insurance will be sufficient to make up for any lost revenues or that such insurance will continue to be available at reasonable premiums.

Bankruptcy; Priority

The Hotel Corporation has been structured as a single-purpose entity, thereby significantly reducing the risk that bankruptcy of the Hotel Corporation could occur for any reason other than those arising from ownership and operation of the Hotel. In spite of its limited purpose, no assurances can be made that the Hotel Corporation will not file bankruptcy should the value of the Hotel decline in the real estate market or the Hotel not perform as expected, or other events affecting the profitability of the ownership and/or operation of the Hotel occur. Should the Hotel Corporation file for bankruptcy, there could be adverse effects on the holders of the Series 2015 Bonds pursuant to the provisions of the Bankruptcy Code.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Series 2015 Bonds. In order to allow potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with the entire Official Statement and the appendices hereto and should have accessed whatever additional financial and other information it has deemed necessary to make its decision to invest in the Series 2015 Bonds.

LITIGATION

There is no litigation pending at law or in equity to which the Authority is a party, or to the knowledge of the Authority threatened, to restrain or enjoin the issuance, sale or delivery of the Series 2015 Bonds or any other bonds of the Authority, the entering by the Authority into the transactions relating to the issuance, sale and delivery of the Series 2015 Bonds and the application of the proceeds thereof as described in this Official Statement, or in any way contesting or affecting the validity of the Series 2015 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof.

There is no litigation pending or to the knowledge of the Hotel Corporation threatened which could have a material adverse effect upon the business, operations, financial position or properties of the Hotel Corporation.

LEGAL MATTERS

McNair Law Firm, P.A., Columbia, South Carolina, is acting as Bond Counsel in connection with the issuance of the Series 2015 Bonds. The proposed form of Bond Counsel's approving opinion with respect to the Series 2015 Bonds appears in Appendix F hereto. Certain legal matters will be passed upon for the Authority by its counsel, Parker Poe Adams & Bernstein, L.L.P., Columbia, South Carolina, for the Hotel Corporation by its counsel, Nelson Mullins Riley & Scarborough, L.L.P., Myrtle Beach, South Carolina, for the City by its counsel, Thomas E. Ellenburg, Esquire, Myrtle Beach, South Carolina, and for the Underwriter by its counsel, Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina.

TAX MATTERS

Opinion of Bond Counsel

Certain legal matters with respect to the issuance of the Series 2015 Bonds are subject to the approval of the McNair Law Firm, P.A., Columbia, South Carolina ("Bond Counsel"), whose approving opinion with respect to the Series 2015 Bonds will be available at the time of issuance of the Series 2015 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" below, the interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder. Interest on the Series 2015 Bonds is not an item of tax preference for purposes of the individual and corporate alternative minimum tax; however, such interest will be included in the computation of adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2015 Bonds. Bond Counsel renders its opinions under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise.

Internal Revenue Code

The Code includes provisions that relate to tax-exempt obligations, such as the Series 2015 Bonds, including, among other things, permitted uses and investment of the proceeds of the Series 2015 Bonds, the rebate of certain arbitrage earnings from the investment of such proceeds to the United States Treasury and the use of property financed or refinanced with the proceeds of the Series 2015 Bonds. The Authority and the Hotel Corporation, as user of the facilities financed with the Refunded Bonds, have covenanted to comply with these requirements to the extent required to maintain the exclusion of interest on the Series 2015 Bonds from gross income for federal tax purposes. Failure of the Authority or the Hotel Corporation to comply with these covenants could cause the interest on the Series 2015 Bonds to be taxable retroactively to the date of issuance thereof.

Prospective purchasers of the Series 2015 Bonds should consult their tax advisors with respect to collateral tax consequences of ownership of the Series 2015 Bonds, such as the calculation of tax on banks, thrift institutions and other financial institutions and property and casualty insurance corporations, the calculation of the foreign branch profits tax liability, the tax on passive income of S corporations, the application of backup withholding, 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 issue date of the Series 2015 Bonds may affect the tax status of interest on the Series 2015 Bonds. In rendering its opinions, Bond Counsel will rely upon certificates of the Authority and the Hotel Corporation with respect to certain material facts solely within their respective knowledge relating to the application of the proceeds of the Series 2015 Bonds.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2015 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Hotel Corporation have covenanted, however, to comply with the requirements of the Code.

Interest

Interest on the Series 2015 Bonds will be excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations.

Original Issue Discount

Certain of the Series 2015 Bonds were 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 2015 Bonds for federal income tax purposes.

Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a constant yield to maturity basis. The amount of the original issue discount that accrues to an owner of Discount Bond during any accrual period generally equals (i) the issue price of the Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in an accrual period will be considered to be received ratably each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond.

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 Series 2015 Bonds, other tax consequences of owning Series 2015 Bonds and other state and local tax consequences of owning Series 2015 Bonds.

Premium Bonds

Certain of the Series 2015 Bonds were 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 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.

Change in Law

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2015 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2015 Bonds.

Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

IRS Audit

Bond Counsel's engagement with respect to the Series 2015 Bonds ends with the issuance of the Series 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority regarding the tax-exempt status of the Series 2015 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of Series 2015 Bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2015 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2015 Bonds, and may cause the Authority or the beneficial owners to incur significant expense.

South Carolina Taxation

In the opinion of Bond Counsel, the Series 2015 Bonds and the interest thereon are exempt from taxation by the State or any political subdivision thereof, 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 Department 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 2015 Bonds will be included in such computation.

RATING

The Series 2015 Bonds have received a rating of "AA-" from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("Standard & Poor's"). The rating reflects only the views of Standard & Poor's and is not a recommendation to buy, sell or hold the Series 2015 Bonds. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely, if in the judgment of the rating agency that granted such rating the circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Series 2015 Bonds. A further explanation of the significance of the rating may be obtained by Standard & Poor's.

UNDERWRITING

The Series 2015 Bonds are being purchased for reoffering by Wells Fargo Bank, National Association (the "Underwriter") at an aggregate purchase price of \$17,903,840.82, representing the par amount of the Series 2015 Bonds plus net original issue premium of \$1,705,643.35 and less Underwriter's discount of \$206,802.53. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, sole underwriter of the Series 2015 Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2015 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2015 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Series 2015 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

SERIES 2015 BONDS ARE LIMITED OBLIGATIONS OF AUTHORITY

The Series 2015 Bonds are limited obligations of the Authority, the principal of, premium, if any, and interest on which shall be payable by the Authority solely from a revenue-producing project or special source which includes the repayments, revenues, receipts and security described in the Indenture and derived by the Authority pursuant to the Loan Agreement, which repayments, revenues, receipts and security have been pledged and assigned to the Trustee to secure payments due with respect to the Series 2015 Bonds, all as described in and subject to the limitations set forth in the Indenture, for the benefit of the holders from time to time of the Series 2015 Bonds. The Series 2015 Bonds constitute an indebtedness payable only from a revenue-producing project or special source within the meaning of Article X, Section 13(9) of the Constitution of the State, which source of payment does not include revenues from any tax or license. The Series 2015 Bonds and the interest and any premium, if any, thereon do not and shall never constitute a general obligation or indebtedness of the Authority or of the State within the meaning of any State constitutional provision or statutory limitation and do not and shall never constitute or give rise to a pecuniary liability of the Authority or of the State or any agency or political subdivision of the State or a charge against the general credit of the Authority or the State or any agency or political subdivision of the State or taxing powers of the State or any agency or political subdivision thereof. The Authority does not have taxing powers.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with the requirements of SEC Rule 15c2-12(b)(5), (the "Rule"), the Hotel Corporation has covenanted for the benefit of the owners of the Series 2015 Bonds, and the owners of beneficial interest therein, to provide certain ongoing disclosure information. The information to be disclosed includes (a) certain financial information and operating data relating to the Hotel Corporation, to be provided no later than seven months after the last day of the Hotel Corporation's Fiscal Year, commencing with the Fiscal Year ending June 30, 2015 (the "Annual Information"), and (b) notices of the occurrence of certain enumerated events, if material. The Annual Information will be filed by or on behalf of the Hotel Corporation 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 on behalf of the Hotel Corporation by DAC with EMMA (and with such State Information Depository, if any). The specific nature of the information to be contained in the Annual Information and the notices of material events is set forth in the form of Continuing Disclosure Undertaking attached hereto as Appendix E. During the past five years, the Hotel Corporation failed to comply with certain of its continuing disclosure obligations by inadvertently not filing some of the required operational information about the Hotel or some of the changes to the insured ratings of the Refunded Bonds. Earlier this month, DAC, on behalf of the Hotel Corporation, filed with EMMA the additional operational information about the Hotel required by the Hotel Corporation's prior undertakings pursuant to the Rule. In addition, the Hotel Corporation has now implemented procedures to assist it in remaining in compliance with its undertakings pursuant to the Rule.

MISCELLANEOUS

The references herein to the Act and summaries and references to the Indenture, the Loan Agreement, the Mortgage, the Site and Support Facilities Lease, the Qualified Management Agreement, the License Agreement, the Room Block Agreement and the Continuing Disclosure Agreement are brief references or summaries of certain provisions thereof. Such outlines do not purport to be detailed and, for more information with respect to such provisions, reference is made to such actual instruments and documents. Copies of the Indenture, the Loan Agreement, the Site and Support Facilities Lease, the Room Block Agreement and the Mortgage are available upon request from the Underwriter or the City, during the period of the offering, and thereafter are on file at the offices of the Trustee.

The information set forth herein has been provided by the Hotel Corporation and other sources. The Authority and the Hotel Corporation believes that the information contained in this Official Statement is correct and complete and have no knowledge of any inaccuracy or incompleteness as to any of the information herein contained. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

No quotations from or summaries or explanations of provisions of laws and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2015 Bonds. 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 cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

The Trustee has neither reviewed nor participated in the preparation of this Official Statement.

The execution and delivery of this Official Statement by the Executive Director of the Authority and the authorized representative of the Hotel Corporation has been duly authorized by the Authority and the Hotel Corporation, respectively.

SOUTH CAROLINA JOBS-ECONOMIC
DEVELOPMENT AUTHORITY

By: /s/ Harry A. Huntley
Harry A. Huntley
Executive Director

MYRTLE BEACH CONVENTION CENTER HOTEL
CORPORATION

By: /s/ Grant Kuhn
Grant Kuhn
President

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APPENDIX A

**FINANCIAL STATEMENTS FOR THE CITY OF MYRTLE BEACH
FOR FISCAL YEAR ENDED JUNE 30, 2014**

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CITY OF MYRTLE BEACH SOUTH CAROLINA



Comprehensive Annual
Financial Report
Fiscal Year Ended
June 30, 2014



First In Service

**CITY of MYRTLE BEACH,
SOUTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

CITY COUNCIL

MAYOR JOHN RHODES

MICHAEL CHESTNUT

PHILIP RENDER

RANDAL WALLACE

MIKE LOWDER

WAYNE GRAY

SUSAN MEANS

CITY OFFICIALS

THOMAS E. LEATH
CITY MANAGER

MARIA E. BAISDEN
DIRECTOR OF FINANCE

**CITY OF MYRTLE BEACH, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2014**

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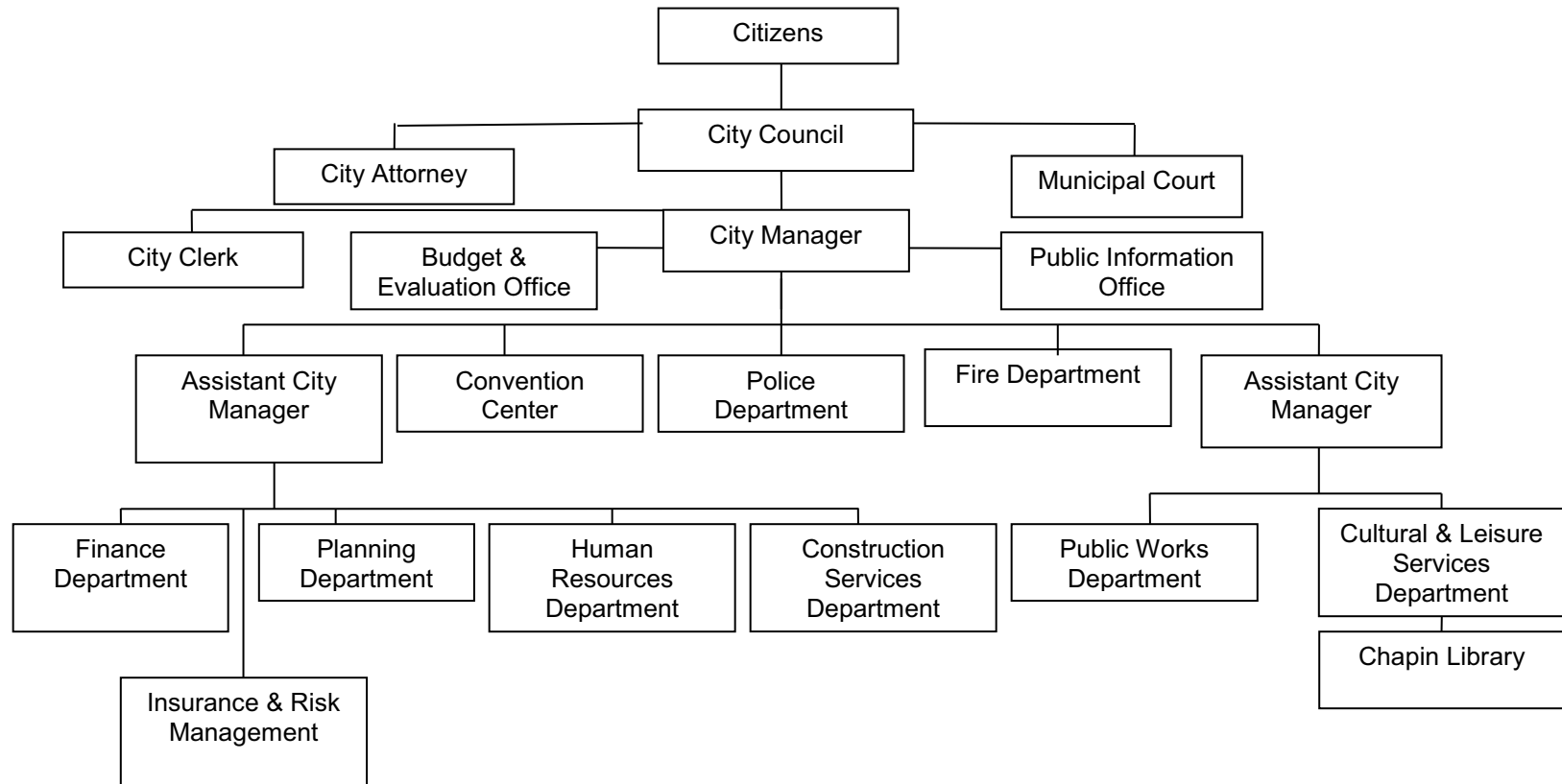
**CITY OF MYRTLE BEACH, SOUTH CAROLINA
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City of Myrtle Beach

Organizational Chart





City of Myrtle Beach SOUTH CAROLINA

OFFICE OF THE FINANCE DIRECTOR

November 26, 2014

The Honorable Mayor John Rhodes, City Council and
City Manager of the City of Myrtle Beach, South Carolina

The Comprehensive Annual Financial Report of the City of Myrtle Beach, South Carolina, for the fiscal year ended June 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report includes all funds of the City, and as explained below, the activity of the Myrtle Beach Public Facilities Corporation, the Myrtle Beach Downtown Redevelopment Corporation and the Myrtle Beach Convention Center Hotel Corporation. The City provides a full range of services. These services include police and fire protection, sanitation services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events. In addition to general government activities, the governing body operates a water and sewer system throughout the City and in certain areas adjacent to it.

This report includes one blended component unit, the Myrtle Beach Public Facilities Corporation (MBPFC). The MBPFC serves the City exclusively for financing purposes. This report also includes two discretely presented component units, the Myrtle Beach Downtown Redevelopment Corporation (MBDRC) and the Myrtle Beach Convention Center Hotel Corporation (MBCCHC). The MBDRC is responsible for promoting and assisting in the development of business concerns and residential housing in the downtown area of Myrtle Beach. The MBDRC is fiscally dependent upon the City because City Council sets the fees that can be charged by the MBDRC. The MBCCHC is responsible for the construction and operation of a convention center hotel. City Council appoints all members of the MBCCHC's board. The MBCCHC is fiscally dependent upon the City because City Council approves the MBCCHC's budget and must approve any debt issuances.

Generally accepted accounting principles require management to provide a narrative introduction, overview and analysis to the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A begins on page 3.

GENERAL INFORMATION

Geography: Myrtle Beach is in the center of a long coastal beach known as the Grand Strand. The Grand Strand is 60 miles long with a populated area ranging from only a few blocks to a couple of miles wide. The coastline is oriented northeast southwest and Myrtle Beach is about 23 miles south of the North Carolina boundary. The land is low and the entire section is quite flat, with no elevations exceeding 50 feet above sea level. There are many more trees and wooded regions than are usually found in a beach area. The beaches are of white sand and the coastal water is very clean, as there are no harbors, shipping or major industries in the area. No rivers or streams drain into the Atlantic for a distance of nearly 30 miles. The warm Gulf Stream current moves slowly northeastwardly along the coast.

History: A party of Spaniards from Hispaniola landed about 50 miles north of Myrtle Beach in 1526, and eventually established the first European settlement in the United States, about 30 miles south of Myrtle Beach. The settlement, San Miguel de Cauldape, was abandoned the next year and the group returned to Hispaniola. Later settled by landowners, the area was gradually developed into one of the very large plantations, with rice the principal crop. The town of Myrtle Beach was incorporated in 1938, and became a City in 1957. Its name is taken from the wax myrtle shrub, which grows abundantly in the area. Most of the development into a large resort area, which Myrtle Beach has become, has taken place in the last 25 years.

Climate: Because of the location of the northeastern South Carolina coast, its climate is much closer to that of subtropical Florida than to the more rigorous conditions that prevail in the North Atlantic States. Thus, mild winters and warm summers are the rule. The Atlantic Ocean has a moderating effect, tending to prevent extremely high or low temperatures, and the presence of the warm Gulf Stream tends to raise the temperature of the air masses from the northwest, cool air masses from the west and warm air masses from the south and southwest. The average air temperature varies from a low of 57 in January to a high of 88 in July. The average water temperature varies from a low of 49 in January to a high of 83 in July.

Population: Since 1950, the population has grown approximately 710% as shown in the following exhibit:

<u>Year</u>	<u>Population</u>
1950	3,345
1960	7,834
1970	9,035
1980	18,477
1990	24,840
2000	30,852
2010	27,109

Government: The Myrtle Beach government is organized according to the Council-Manager form of government. The Mayor and City Council constitute the governing body of the City and formulate policy for the administration of the City. The six members of the City Council are elected on an at-large basis to serve four-year overlapping terms of office. The Mayor is elected on an at-large basis to serve a four-year term of office. The Mayor presides at City Council meetings. In addition, a Mayor Pro-Tempore is elected by City Council members from their body for a period of two years to serve as Mayor during his absence or disability.

The City Council appoints the City Manager to serve as the City's chief executive officer and head of the administrative branch of City government. The City Manager is responsible for implementing the policies of the City Council, directing business and administrative procedures and appointing departmental officials and certain other City employees. At the present time, the City Manager is assisted by two assistant City Managers and eleven staff departments, which are Public Works, Public Information, Human Resources, Finance, Planning, Code Enforcement, Cultural and Leisure Services, Library, Police, Fire and the Convention Center.

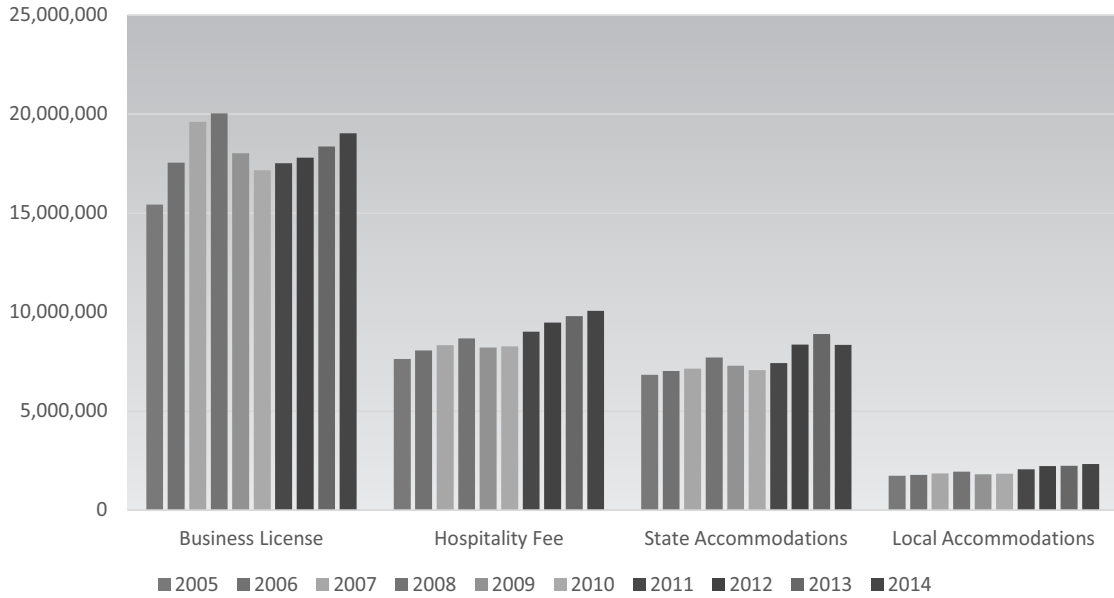
FACTORS AFFECTING FINANCIAL CONDITION

The City's financial condition continued to improve during fiscal year 2014 mainly as a result of increases in revenues from the hospitality sector. Most of these revenues are restricted and must be used either to expand tourism or build capital projects, but some are available to fund certain operating costs that are directly related to tourism. Thus, while they can help to improve financial condition in certain other funds, improvements in the hospitality sector can provide only a limited boost to the General Fund's fiscal health.

Property taxes and business licenses are the two largest sources of revenue in the General Fund. The City saw some erosion of its property tax base as housing and other property values fell during and after the recession of 2007-2009. Furthermore, business license revenues, which declined drastically during the recession are just beginning to rise at moderate levels in 2014. These two major sources of revenues in the General Fund have declined from 60.3% of total revenues in 2006 to 59.0% of total revenues in 2014. In addition, growing demand for services fueled by a growing population, record tourism numbers and new facilities coming online are creating pressure for greater operating expenditures. And while most other funds have recovered or substantially recovered following the recession, the General Fund has lost its structural balance when looked at over a five-year planning horizon.

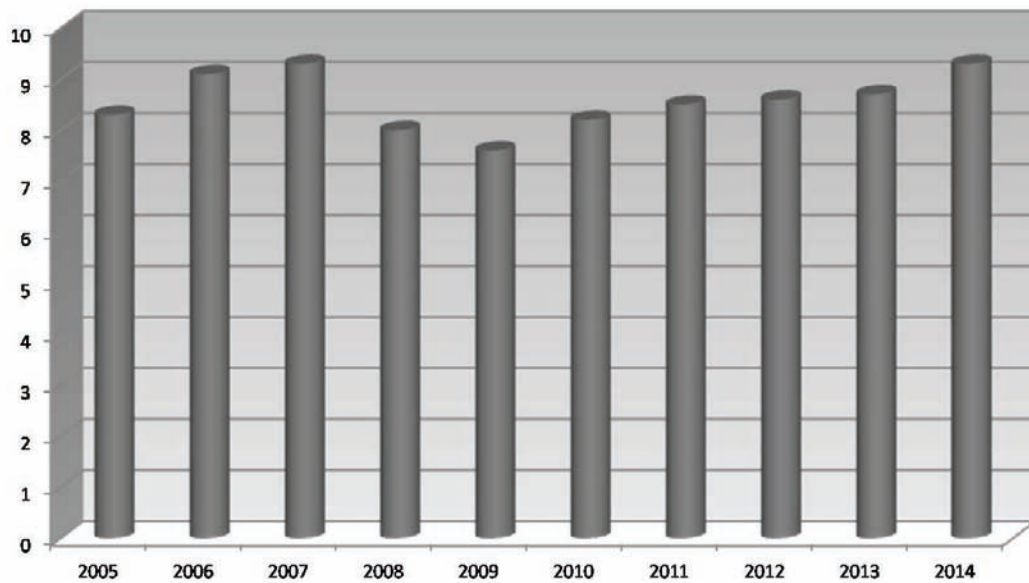
The following chart demonstrates the downturn and subsequent recovery the City has experienced in revenues that come directly from the hospitality and retail sectors.

Business License, Hospitality Fees, State and Local Accommodations Tax Revenues, 2005 - 2014



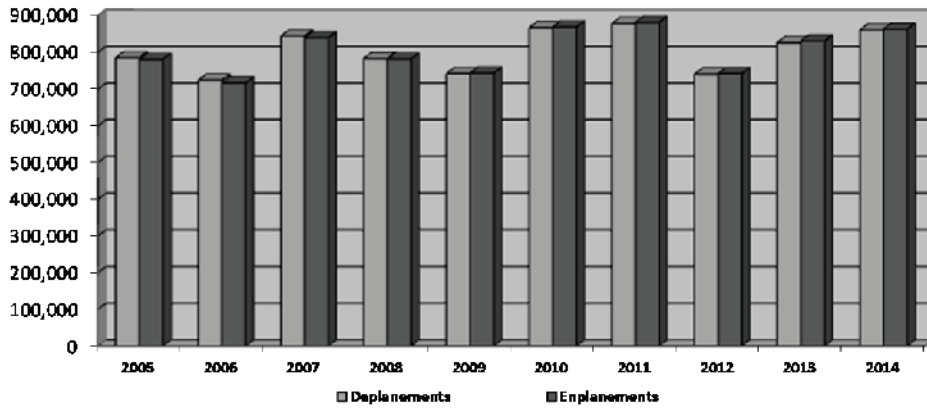
Another direct result of the current economic conditions is retail sales inside Horry County. After posting declines in 2008 and 2009, retail sales began the recovery in 2010 and have demonstrated improved numbers through 2014.

Horry County Retail Sales, 2005 - 2014 (\$ billions)



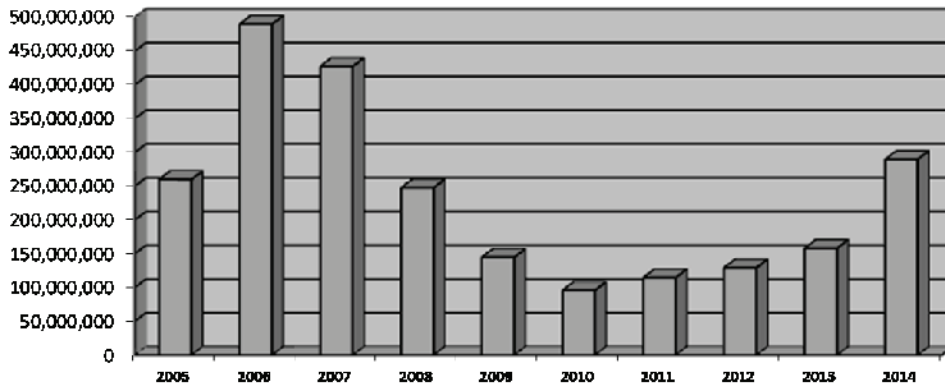
The number of passengers traveling to and from Myrtle Beach fluctuates depending on the number of carriers using the airport, as well as economic conditions.

Passengers' Handled - Myrtle Beach International Airport, 2005 - 2014



Another revenue group that reflects the economic conditions is construction permits. Figures for the fiscal year ended June 30, 2014, indicate that buildings permitted by the City totaled \$289,882,108, an increase of 83.6%. The increase was due to commercial building activity such as a new high rise hotel and condominium building, a new sports complex and a new tourist related amusement venue. There was also an increase in residential construction.

Construction Permitted Inside Corporate Limit, 2005 - 2014



In general, the prospects for the growth of operating revenues is that the trajectory is positive again, but the revenues are growing slowly and new revenue options will have to be explored in order to keep pace with the demand of operations. When management formulated the 2014-15 budget, it did so with three major objectives: (1) restore structural balance to the General Fund, (2) examine the mix of services the City offers and focus on the fundamental missions of a municipality and (3) for the capital improvements program, take care of what the City has before expanding facilities and services. Council supported these objectives, raising the ad valorem tax rate and adopting structural changes in business licenses. These measures will go a long way toward restoring the General Fund's structural balance. The City also limited budgetary growth and identified one major service to be reduced or eliminated over a multi-year period to help maintain that balance.

LONG TERM FINANCIAL PLANNING

Elements of financial planning in the City are: (1) use a balanced mix of revenues that will ensure reasonable stability for operation at continuous service levels through economic cycles, but will provide economic sensitivity suitable for responding to increased service demand in a rapid growth environment, (2) maintain operating expenditures within the City's ability to raise revenues while keeping tax and rate structures competitive and maintain strong prospects of structural balance over the long-term, (3) ensure continuity of service without the use of interim borrowing and (4) maintain adequate capital financing sources and low costs of borrowing by managing to ensure the City's credit worthiness.

The City adopts balanced budgets for each year and attempts to maintain structural balance between revenues and expenditures in each operating fund over the long term.

The City maintains and annually updates five year financial plans. The plans for the operating funds incorporate the effects of absorbing the operating costs of capital projects in the Capital Improvements Program, the Debt Management Plan and the Comprehensive Plan Implementation. Long term plans help to ensure structural balance of financing sources and uses by allowing the evaluation of long-term impacts of current decisions. Where structural deficits are found, the plans provide recommendations for corrective actions to restore structural balance in a timely fashion.

The City utilizes formal historic trend analysis to establish baseline estimates of major revenues and expenditures. The mathematical specifications of trends and their resulting long-term projections are updated annually. Revenue estimates are formulated so as to assume reasonable risk, but avoid overly optimistic projections. The City maintains operating expenditures within its ability to raise revenues. Annually recurring revenues must equal or exceed annually recurring expenditures.

The City utilizes a mix of operating revenues characterized by (1) some sources that offer reasonable stability to support operations at continuous service levels and (2) others that provide the elasticity necessary for responding quickly to the challenges of a rapid growth environment. Toward that end, the City will use more economically sensitive revenues, such as business license fees in the General Fund to allow more timely response to increased service demands during high-growth periods and to ease the immediate burden on the ad valorem tax rate; stabilize the revenue base for payment of debt service and capital leases by utilizing a portion of the property tax levy for this purpose; avoid the use of non-recurring revenues to fund operations, using them instead to accumulate reserves or to fund capital improvements; and use more volatile sources (such as building permits) to fund pay-as-you-go capital improvements.

The City regularly evaluates the need and the availability of sufficient working capital to finance operations without interruption and without having to resort to short-term borrowing for operations. Working capital recommendations take into account the City's particular risk characteristics and are based upon an inventory model to plan for adequate inventories of unrestricted cash throughout the year. Recommended working capital levels are set based upon projections of cash flow patterns, which are well synchronized in some funds, especially enterprise funds, but asynchronous in most governmental funds. In the General Fund, this should normally be about 20% based upon the City's historical cash flows and the asynchronous nature of cash inflows and outflows. The City also retains a reserve of working capital to provide some cushion against possible interruption of cash inflows in the event of a natural disaster.

MAJOR INITIATIVES FOR THE YEAR

The City issued \$61,915,000 of Refunding Hospitality Fee Revenue Bonds to finance a portion of the cost of acquiring and constructing a municipal sports complex adjacent to the Convention Center and to defease and retire the City's outstanding Hospitality Fee Revenue Bonds, Series 2004A, Hospitality Fee Revenue Bonds, Series 2004B and Certificates of Participation, Series 2002.

The City entered into a five year capital lease obligation in the amount of \$290,000. This lease funded the purchase and installation of local area network equipment, a PBX upgrade and fiber construction between the telecommunications room in the law enforcement center and the new server in the same building.

The City entered into a promissory note agreement up to \$11,942,107 with the South Carolina Water Quality Revolving Fund to finance the 4th Avenue North Ocean Outfall Project on a reimbursement basis. The final reimbursement will determine the full loan amount.

The City performed various repair and maintenance projects such as:

- The City completed the Convention Center HVAC and roof repair project.
- Continued intersection improvements and signalization throughout the City.
- Continued neighborhood enhancements including sidewalk, curb and guttering, infrastructure restoration and signage.
- Continued storm water infrastructure improvements which address storm water flood control system maintenance and construction, ocean outfall projects and drainage maintenance improvements.
- Continued improvements to construction, replacement and extension of the water delivery system. Also, continued construction and replacement of the sewer system infrastructure and pump station upgrades.

FOR THE FUTURE

Plans for the future address revenue needs and major comprehensive plan elements. Some of the revenue changes and comprehensive plan projects are as follows:

- The City plans a blended water and sewer rate increase of 2.8% (1.5% water and 3.5% sewer), an increase of out-of-City business license fees from 1.5 times the in-City rate to 2.0 times the in-City rate and an increase in solid waste rates of \$2.40 per month to provide for additional residential service crews.
- The City anticipates the issuance of South Carolina Jobs-Economic Development Authority (SCJEDA) refunding revenue bonds not exceeding \$21,000,000. The purpose of the issue is to refund the MBCCHC's outstanding SCJEDA revenue bonds.
- The City anticipates the issuance of \$8.2 million in water and sewer revenue bonds to finance the construction of the 2nd to 9th Avenue North streetscape conversion project and other water and sewer infrastructure improvements.
- The City anticipates borrowing for an 800 MHz digital radio system upgrade in the amount of \$1,750,000 and a rear loader for the additional solid waste crew in the amount of \$204,000.
- The City plans a Baseball Stadium repair and renovation project totaling \$860,000 funded by a combination of tourism development funds, renewal and replacement funds and County contributions.
- Funding has been included for sand volleyball courts in the amount of \$300,000 and a \$100,000 state grant will be the funding source for the linear park at Grand Park.
- \$1,020,000 infrastructure improvements to culture and leisure facilities and dune walkover renovations.
- Continued addition of ocean boulevard midblock crossings and installation of cycling lanes consistent with development of the East Coast Greenway and transportation objectives.
- Continued landscaping, storm water, underground utility conversion and roadway realignment projects.
- Continued neighborhood enhancements including sidewalk, curb and guttering, infrastructure restoration and signage.
- Other storm water infrastructure improvements which address storm water flood control system maintenance and construction, ocean outfall projects and drainage maintenance improvements.

INTERNAL CONTROL STRUCTURE

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. It must also ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should ordinarily not exceed the benefits to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic management evaluation.

As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including those controls related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The result of the City's single audit for the fiscal year ended June 30, 2014, provided no instances of material weaknesses in the internal control structure or material violations of applicable laws and regulations.

In addition, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the general fund, special revenue funds, debt service fund, capital projects fund and enterprise funds are generally included in the annual appropriated budget. Project-length financial plans are also developed for capital improvements for internal control purposes. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end, and are reinstated against the following year's appropriation. Encumbrances generally are reappropriated, if necessary, by budget ordinance amendment during the course of the following year.


OTHER INFORMATION

Independent Audit: State statutes require an annual audit by independent certified public accountants. The accounting firm of Smith, Sapp, Bookhout, Crumpler & Calliham, P.A. was selected to perform the audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996, and related OMB Circular A-133. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the Single Audit Section.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Myrtle Beach for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA.

Acknowledgments: The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. I would like to extend my appreciation to the staff of Smith, Sapp, Bookhout, Crumpler & Calliham, P.A., who participated directly or indirectly in providing technical guidance. In closing, I would like to thank the governing body of the City of Myrtle Beach for their leadership and support, which made the preparation of this report possible.

Sincerely yours,



Maria E. Baisden
Director of Finance



Government Finance Officers Association

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**City of Myrtle Beach
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Myrtle Beach, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Myrtle Beach, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Myrtle Beach, South Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Myrtle Beach, South Carolina, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Smith Sapp Bookhout Crumpler & Calliham
A Professional Association of Certified Public Accountants & Consultants

South Carolina Association of Certified Public Accountants
American Institute of Certified Public Accountants - Private Companies Practice Section

Change in Accounting Principle

As described in Note 19 to the financial statements, the City of Myrtle Beach, South Carolina adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2014.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3 through 10 and 70 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Myrtle Beach, South Carolina’s basic financial statements. The introductory section, combining and individual fund statements and schedules, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund statements and schedules, other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the City of Myrtle Beach, South Carolina’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 that report is to disclose 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* in considering the City of Myrtle Beach, South Carolina’s internal control over financial reporting and compliance.

SMITH SAPP BOOKHOUT CRUMPLER & CALLIHAM
Professional Association of Certified Public Accountants

Myrtle Beach, South Carolina
November 26, 2014



**CITY OF MYRTLE BEACH, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

Our discussion and analysis of the City of Myrtle Beach, South Carolina's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter, which begins on page v, and the City's financial statements, which begin on page 12.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$250,798,397 (net position).
- The City's total net position increased by \$9,120,187. This is the result of an increase in net position of our governmental-type activities of \$9,935,800, or 8.9%, and a decrease in net position of our business-type activities of \$815,613, or 0.6%.
- The City's total revenues amounted to \$154,611,518 during the year ended June 30, 2014. Revenues of governmental activities totaled \$121,658,119, an increase of 8.0%, and revenues of business-type activities were \$32,953,399, an increase of 3.5%.
- During the year ended June 30, 2014, the City's total expenses amounted to \$145,491,331. Expenses of governmental activities totaled \$111,901,319, an increase of 1.3%, and expenses of business-type activities were \$33,590,012, an increase of 4.9%.
- At June 30, 2014, the City's governmental funds reported combined fund balances of \$56,677,905, an increase of \$7,163,235 in comparison to the prior year.
- There was an increase in the City's investment in capital assets for the current fiscal year in the amount of \$6,758,734, or 3.0%, for governmental activities and an increase of \$1,887,834, or 1.4%, for business-type activities.
- At year-end, the City had \$207,707,489 in outstanding bonds payable and capital lease obligations compared to \$202,454,098 last year, an increase of 2.6%.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 12 - 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The fiduciary fund financial statement on page 40 provides financial information about an activity for which the City acts as an agent on behalf of the City's firemen. The notes to the financial statements are an integral part of the financial statements and begin on page 41. This report also contains other information in addition to the basic financial statements.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 5. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position, which is the difference between assets, deferred outflows of resources and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the statement of net position and the statement of activities, we have divided the City into three kinds of activities:

- *Governmental Activities* - Most of the City's basic services are reported here, including general government, public safety, transportation, community and economic development, culture and recreation and public works. Property taxes, local accommodations taxes, business license taxes, franchise taxes, hospitality fee taxes, local option tourism taxes, user fees and state and federal grants finance the majority of these activities.
- *Business-Type Activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer, baseball stadium, municipal golf course and solid waste management activities are reported here.
- *Component Units* - The City includes two separate legal entities in its report, the Myrtle Beach Downtown Redevelopment Corporation and the Myrtle Beach Convention Center Hotel Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 18 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental Funds* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the "modified accrual basis of accounting", which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation following each governmental fund financial statement.
- *Proprietary Funds* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities. The internal service funds are reported with governmental activities in the government-wide financial statements.

The City as an Agent

The City is an agent, or fiduciary, for certain funds held on behalf of the City's firemen. The fiduciary fund financial statement can be found on page 40 of this report. We exclude this activity from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 41.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information beginning on page 70. Combining and individual fund statements and schedules and other supplementary information can be found on pages 75 - 106.

The City as a Whole

Condensed statements of net position at June 30, 2014 and 2013 are shown below.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 116,091,936	\$ 103,497,838	\$ 20,729,856	\$ 25,717,333	\$ 136,821,792	\$ 129,215,171
Capital Assets (Net)	<u>229,381,298</u>	<u>222,622,564</u>	<u>135,377,376</u>	<u>133,489,542</u>	<u>364,758,674</u>	<u>356,112,106</u>
Total Assets	<u>\$ 345,473,234</u>	<u>\$ 326,120,402</u>	<u>\$ 156,107,232</u>	<u>\$ 159,206,875</u>	<u>\$ 501,580,466</u>	<u>\$ 485,327,277</u>
Deferred Outflows of Resources	\$ <u>2,881,451</u>	\$ <u>1,015,699</u>	\$ _____	\$ _____	\$ <u>2,881,451</u>	\$ <u>1,015,699</u>
Long-Term Liabilities	\$ 185,318,058	\$ 174,430,137	\$ 20,486,297	\$ 21,959,992	\$ 205,804,355	\$ 196,390,129
Other Liabilities	<u>41,346,205</u>	<u>38,104,880</u>	<u>6,512,960</u>	<u>6,982,812</u>	<u>47,859,165</u>	<u>45,087,692</u>
Total Liabilities	<u>\$ 226,664,263</u>	<u>\$ 212,535,017</u>	<u>\$ 26,999,257</u>	<u>\$ 28,942,804</u>	<u>\$ 253,663,520</u>	<u>\$ 241,477,821</u>
Net Position:						
Net Investment in						
Capital Assets	\$ 100,612,540	\$ 97,019,979	\$ 114,506,690	\$ 114,142,625	\$ 215,119,230	\$ 211,162,604
Restricted	19,761,397	18,904,389	945,308	1,088,242	20,706,705	19,992,631
Unrestricted	<u>1,316,485</u>	<u>(1,323,284)</u>	<u>13,655,977</u>	<u>15,033,204</u>	<u>14,972,462</u>	<u>13,709,920</u>
Total Net Position	<u>\$ 121,690,422</u>	<u>\$ 114,601,084</u>	<u>\$ 129,107,975</u>	<u>\$ 130,264,071</u>	<u>\$ 250,798,397</u>	<u>\$ 244,865,155</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position at June 30, 2014 was \$250,798,397, an increase of \$5,933,242, or 2.4%, from a year ago.

The largest portion of the City's net position, \$215,119,230 reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$20,706,705, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$14,972,462 may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in the City's net position during the years ended June 30, 2014 and 2013 follows.

THE CITY'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 16,942,434	\$ 15,910,400	\$ 29,686,659	\$ 28,383,410	\$ 46,629,093	\$ 44,293,810
Operating Grants and Contributions	1,577,629	1,573,924		4,574	1,577,629	1,578,498
Capital Grants and Contributions	8,155,866	1,628,940	3,184,138	3,350,634	11,340,004	4,979,574
General Revenues:						
Property Taxes	25,796,261	25,113,459			25,796,261	25,113,459
Local Accommodations Taxes	2,333,117	2,238,681			2,333,117	2,238,681
Business License Taxes	19,050,722	18,354,589			19,050,722	18,354,589
Franchise Taxes	3,755,715	3,469,046			3,755,715	3,469,046
Hospitality Fee Taxes	10,077,734	9,791,483			10,077,734	9,791,483
Local Option Tourism Taxes	23,298,736	23,508,832			23,298,736	23,508,832
Grants and Contributions not Restricted to Specific Programs	10,501,165	10,833,688			10,501,165	10,833,688
Investment Earnings	<u>168,740</u>	<u>223,895</u>	<u>82,602</u>	<u>100,195</u>	<u>251,342</u>	<u>324,090</u>
Total Revenues	<u>\$ 121,658,119</u>	<u>\$ 112,646,937</u>	<u>\$ 32,953,399</u>	<u>\$ 31,838,813</u>	<u>\$ 154,611,518</u>	<u>\$ 144,485,750</u>
Expenses:						
General Government	\$ 11,319,984	\$ 11,883,348	\$	\$	\$ 11,319,984	\$ 11,883,348
Public Safety	33,247,797	33,115,671			33,247,797	33,115,671
Transportation	8,666,134	8,642,907			8,666,134	8,642,907
Community and Economic Development	28,377,759	28,021,204			28,377,759	28,021,204
Culture and Recreation	20,110,668	18,881,858			20,110,668	18,881,858
Public Works	1,399,578	1,437,647			1,399,578	1,437,647
Interest and Fiscal Charges	8,779,399	8,513,225			8,779,399	8,513,225
Water			14,235,486	13,262,481	14,235,486	13,262,481
Sewer			13,068,631	12,587,819	13,068,631	12,587,819
Baseball Stadium			616,989	639,314	616,989	639,314
Municipal Golf Course			1,474,824	1,455,492	1,474,824	1,455,492
Solid Waste Management			<u>4,194,082</u>	<u>4,072,052</u>	<u>4,194,082</u>	<u>4,072,052</u>
Total Expenses	<u>\$ 111,901,319</u>	<u>\$ 110,495,860</u>	<u>\$ 33,590,012</u>	<u>\$ 32,017,158</u>	<u>\$ 145,491,331</u>	<u>\$ 142,513,018</u>
Increase (Decrease) in Net Position Before Transfers	\$ 9,756,800	\$ 2,151,077	\$ (636,613)	\$ (178,345)	\$ 9,120,187	\$ 1,972,732
Transfers	<u>179,000</u>	<u>106,150</u>	<u>(179,000)</u>	<u>(106,150)</u>		
Increase (Decrease) in Net Position	<u>\$ 9,935,800</u>	<u>\$ 2,257,227</u>	<u>\$ (815,613)</u>	<u>\$ (284,495)</u>	<u>\$ 9,120,187</u>	<u>\$ 1,972,732</u>
Net Position - Beginning, as Previously Reported	\$ 114,601,084	\$ 112,343,857	\$ 130,264,071	\$ 130,548,566	\$ 244,865,155	\$ 242,892,423
Adopt GASB 65	<u>(2,846,462)</u>		<u>(340,483)</u>		<u>(3,186,945)</u>	
Net Position - Beginning, as Restated	<u>\$ 111,754,622</u>	<u>\$ 112,343,857</u>	<u>\$ 129,923,588</u>	<u>\$ 130,548,566</u>	<u>\$ 241,678,210</u>	<u>\$ 242,892,423</u>
Net Position - Ending	<u>\$ 121,690,422</u>	<u>\$ 114,601,084</u>	<u>\$ 129,107,975</u>	<u>\$ 130,264,071</u>	<u>\$ 250,798,397</u>	<u>\$ 244,865,155</u>

The City's total revenues amounted to \$154,611,518 for the year ended June 30, 2014. This is an increase of \$10,125,768, or 7.0%. The largest increase was in capital grants and contributions, which increased by \$6,360,430, or 127.7%, primarily due to developer donated infrastructure improvements and federal grants for road improvements. The next largest revenue increase was in charges for services, which increased \$2,335,283, or 5.3%, primarily due to an increase in hotel ground lease revenues, building permits, new fire inspection fees, water charges and increased sewer and storm water charges due to an increase in rates. Business license taxes also increased by \$696,133, or 3.8%, primarily due to increases in revenue collected in construction, accommodations and food services activities. Property taxes increased \$682,802, or 2.7%. There were increases in automotive taxes, real property taxes and fees in lieu of taxes. There was also a decrease in refunds and abatements. Hospitality and local accommodations taxes showed a combined increase of \$380,687, or 3.2% due to increased revenue in accommodations, prepared food and retail sales activities. Franchise taxes increased \$286,669, or 8.3%. In this category, there were overall increases in the City's electric, gas, cable, communications and beach franchises. Grants and contributions not restricted to specific programs decreased \$332,523, or 3.1%, primarily due to a decrease in statewide accommodations tax received from the state. The state embarked on an aggressive collection program on uncollected revenue in FY 2013 and, while the program continued in FY 2014, the collections were on a smaller scale. Local option tourism taxes decreased \$210,096, or 0.9%. The state collects this tax and sends it to the City on a quarterly basis. In the initial years of this tax, there were amounts charged and collected by businesses outside of the City limits. As these businesses have rightly ceased charging this tax, the amount of revenue has leveled. Lastly, there was a \$72,748, or 22.4%, decrease in investment revenue due to a decrease in interest earned.

The total cost of all programs and services was \$145,491,331 (increasing by \$2,978,313 or 2.1%). The largest increase was in the water and sewer categories, which increased a combined total of \$1,453,817, or 5.6%. This was primarily due to increased costs for the wholesale purchase of water and wastewater treatment. The next largest increase was experienced in the culture and recreation category in the amount of \$1,228,810, or 6.5%. The largest contributing factor to this increase was increased personnel costs (including fringe benefits). The next largest increase was in the community and economic development category which increased \$356,555, or 1.3%, primarily due to donations from accommodations taxes to various groups. The next largest increase was in interest and fiscal charges, which increased \$266,174, or 3.1%. Public safety, solid waste management, transportation and municipal golf course categories showed a combined increase of \$296,715, or 0.6%. This increase can be attributed to increased personnel costs (including fringe benefits) and increased utilities costs (street lighting). The largest decrease was in the general government category in the amount of \$563,364, or 4.7%. The largest contributing factor was an increase in the internal service funds activity elimination. Another decrease occurred in public works category in the amount of \$38,069, or 2.6%. In this category, there were decreases in personnel costs and increases in the internal service charges elimination. Another decrease occurred in the baseball stadium category in the amount of \$22,325, or 3.5%. The decrease was due to a decrease in interest and amortization charges and an increase in the internal service fund eliminations.

Governmental Activities

The City's net position from governmental activities increased \$9,935,800. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from \$(1,323,284) at June 30, 2013 to \$1,316,485 at the end of this year.

The City's programs for governmental activities include general government, public safety, transportation, community and economic development, culture and recreation and public works. Revenues for the City's governmental activities increased 8.0% (\$9,011,182) and total expenses increased 1.3% (\$1,405,459).

The cost of all governmental activities this year was \$111,901,319. However, as shown in the statement of activities beginning on page 16, the amount that our taxpayers ultimately financed for these activities was only \$85,225,390 because some of the cost was paid by those who directly benefited from the programs (\$16,942,434) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9,733,495). Overall, the City's governmental program revenues were \$26,675,929. The City paid for the remaining "public benefit" portion of governmental activities with general revenues, some of which could only be used for certain programs, totaling \$94,982,190.

Business-Type Activities

The City's net position from business-type activities decreased \$815,613, or 0.6%.

The City's programs for business-type activities include water and sewer, baseball stadium, municipal golf course and solid waste management activities. Revenues of the City's business-type activities increased by 3.5% (\$1,114,586) and expenses increased by 4.9% (\$1,572,854).

The cost of all business-type activities this year was \$33,590,012. As shown in the statement of activities that starts on page 16, the amounts paid by users of the activities were \$29,686,659 and grants and contributions totaled \$3,184,138. Investment earnings were \$82,602.

The City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$56,677,905, an increase of \$7,163,235 in comparison with the prior year. Of this amount, \$9,625,705, or 17.0%, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either not available for spending or restricted for specific purposes by external or self-imposed constraints.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,324,445, while total fund balance amounted to \$11,305,544. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 16.6% of total expenditures, while total fund balance represents 18.2% of that same amount. The General Fund's total fund balance increased by \$1,080,806 during the current fiscal year. This increase resulted primarily from increased collections in business licenses, new fire inspection fees, building permit fees and franchise fees.

The Convention Center Fund has a total fund balance of \$98,355, an increase of \$216,913 from the prior year. This was primarily due to an increase in ground lease revenues received from the MB Convention Center Hotel Corporation.

The Local Option Tourism Fee Fund has a total fund balance of \$1,724,215, a decrease of \$549,132 from the prior year. There was a decrease in tourism fees received in the amount of \$210,096. While there still was an excess of revenues over expenditures in the amount of \$4,675,887, transfers out to other funds increased by \$990,494, or 23.4%. The primary factor in the increase of transfers out can be attributed to the planned use of this fee as a revenue source for capital projects in the Capital Improvements Fund, and for property tax credits to owner occupied primary homes in the City that were transferred to the General Fund, the Air Base Tax Increment Revenue Fund and the Debt Service Fund.

The Capital Improvements Fund's total fund balance increased by \$3,670,786 to \$24,371,265 at June 30, 2014. Of this total, (a) \$12,351,404 is restricted for capital projects and tourism promotion and support and (b) \$12,019,861 is assigned for disaster recovery and capital projects.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$14,614,962. Total net position decreased \$1,304,389 from the prior year. A portion of this decrease (\$268,280) was due to the cumulative effect of adopting GASB Statement No. 65.

Unrestricted net position of the Baseball Stadium Fund at the end of the year amounted to \$(1,054,451). The increase in total net position in the Baseball Stadium Fund was \$213,004. The cumulative effect of adopting GASB Statement No. 65 was to decrease beginning net position in the amount of \$72,203.

Unrestricted net position of the Municipal Golf Course Fund at the end of the year amounted to \$(1,761,238). The decrease in total net position in the Municipal Golf Course Fund was \$541,355, which was due to a continued decline in golfing revenues and an increase in personnel costs.

Unrestricted net position of the Solid Waste Management Fund at the end of the year amounted to \$(506,643). The increase in total net position in the Solid Waste Management Fund was \$43,627, which was primarily due to increased charges for services and a transfer in from the Hospitality Fee Fund.

General Fund Budgetary Highlights

The original budget was amended during the year. The resources available for appropriation were \$170,989 over the final budgeted amounts. This increase was primarily the result of increases in business license collections, intergovernmental revenue and lease revenue. The actual charges to appropriations (expenditures) were under the final budgeted amounts by \$1,067,507.

Budget to actual comparisons for the General Fund can be found on page 70.

Capital Asset and Debt Administration

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$364,758,674 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, distribution systems, furniture, vehicles, equipment and infrastructure. The change in the City’s investment in capital assets for the current fiscal year was an increase of \$6,758,734, or 3.0%, for governmental activities and an increase of \$1,887,834, or 1.4%, for business-type activities. The increase in governmental activities was primarily due to the current year infrastructure increase (primarily capital contributions of road improvements) and the increase in business-type activities was primarily due to additions to the distribution systems.

**THE CITY’S CAPITAL ASSETS
(Net of Accumulated Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 28,546,742	\$ 28,546,742	\$ 18,685,751	\$ 18,685,751	\$ 47,232,493	\$ 47,232,494
Land Improvements	50,071,527	48,124,463	8,864,339	8,864,339	58,935,866	56,988,801
Buildings and Improvements	88,601,030	85,701,350	10,562,603	10,525,748	99,163,633	96,227,098
Distribution Systems			180,366,895	174,230,147	180,366,895	174,230,147
Furniture, Vehicles and Equipment	49,910,714	48,466,238	5,382,949	4,917,811	55,293,663	53,384,049
Infrastructure	178,371,310	171,533,101			178,371,310	171,533,102
Construction-in-Progress	9,847,245	4,217,113	879,766	753,367	10,727,011	4,970,479
Accumulated Depreciation	<u>(175,967,270)</u>	<u>(163,966,443)</u>	<u>(89,364,927)</u>	<u>(84,487,621)</u>	<u>(265,332,197)</u>	<u>(248,454,064)</u>
	<u>\$ 229,381,298</u>	<u>\$ 222,622,564</u>	<u>\$ 135,377,376</u>	<u>\$ 133,489,542</u>	<u>\$ 364,758,674</u>	<u>\$ 356,112,106</u>

More detailed information about the City’s capital assets is presented in Note 9 to the financial statements.

Debt

At year-end, the City had \$207,707,489 in outstanding bonds payable and capital lease obligations compared to \$202,454,098 last year, an increase of 2.6%.

THE CITY'S OUTSTANDING DEBT
Bonds Payable, Note Payable and Capital Lease Obligations

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General Obligation Bonds \$	46,165,000	\$ 48,910,000	\$	\$	\$ 46,165,000	\$ 48,910,000
Revenue Bonds			18,355,000	19,205,000	18,355,000	19,205,000
Certificates of Participation	6,215,000	10,090,000	3,505,000	4,110,000	9,720,000	14,200,000
Tax Increment Revenue						
Bonds	55,022,603	56,487,603			55,022,603	56,487,603
Storm Water Revenue						
Bonds	9,745,237	10,361,530			9,745,237	10,361,530
Hospitality Fee Revenue						
Bonds	61,915,000	47,905,000			61,915,000	47,905,000
Note Payable		1,847,500				1,847,500
Capital Lease Obligations	<u>6,784,649</u>	<u>3,537,465</u>			<u>6,784,649</u>	<u>3,537,465</u>
	<u>\$ 185,847,489</u>	<u>\$ 179,139,098</u>	<u>\$ 21,860,000</u>	<u>\$ 23,315,000</u>	<u>\$ 207,707,489</u>	<u>\$ 202,454,098</u>

The City maintains credit ratings of AA, Aa2 for general obligation bonded debt. Under current state statutes, the City's general obligation debt issuances are subject to a legal limitation base of 8.0% of total assessed value. General obligation debt issued pursuant to referendum is not subject to the limitation. As of June 30, 2014, the amount of new debt, which could be issued without referendum, was \$7,590,603.

More detailed information about the City's long-term liabilities is presented in Note 12 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for the business-type activities. Some of those factors are the economy, the population growth rate and inflation rates. The City's financial condition has been improving mainly as a result of increases in revenues from the hospitality sector. Most of these revenues are restricted and must be used either to expand tourism or build capital projects. Business license revenues, which declined drastically during the recession, began to rise at a moderate rate in 2014. A growing demand for services fueled by a growing population, record tourism numbers and new facilities coming online are creating pressure for greater operating expenditures. While most funds have recovered or substantially recovered following the recession, the General Fund had lost its structural balance when looked at over the coming five years.

When management formulated the 2015 budget, it did so with three major objectives: (1) restore structural balance to the General Fund, (2) examine the mix of services the City offers and (3) in the capital improvements program, take care of what the City has before expanding facilities and services. Council supported these objectives by raising the property tax rate and increasing out of City business licenses rates. The millage rate for ad valorem taxes is 74.5 mills. The rate includes 68.5 mills for the General Fund and 6.0 mills for the Debt Service Fund. Properties that are used as primary residences receive a credit under the terms of legislation authorizing the City's tourism development fee. Consequently, owners of primary residential property inside the City will pay only 13.1 mills on their primary residences. Amounts available for appropriation in the General Fund budget for fiscal year 2015 are \$65,211,300, an increase of 3.3% from the final fiscal year 2014 budget of \$63,120,824. In order to accommodate this increase, the 2015 budget includes a 5.6% growth in business licenses primarily as a result of more ambitious growth expected in the construction and hospitality industry and an increase in out of City rates. The 2015 budget also included a 1.4% growth in charges for services.

For the City's business-type activities, there is a blended water and sewer rate increase of 2.8% and a \$2.40 per month increase in solid waste rates.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at Post Office Box 2468, Myrtle Beach, South Carolina 29578 or phone (843) 918-1150.

BASIC FINANCIAL STATEMENTS

CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Temporary Investments	\$ 45,005,906	\$ 12,022,738	\$ 57,028,644
Receivables (Net)	19,885,139	2,243,626	22,128,765
Due From Component Units	25,048,667		25,048,667
Internal Balances	(2,363,347)	2,363,347	
Inventories	277,741	893,466	1,171,207
Prepaid Assets	92,131	1,056	93,187
Restricted Cash and Temporary Investments	28,090,979	3,125,440	31,216,419
Land and Construction in Progress	38,393,987	19,565,517	57,959,504
Other Capital Assets (Net)	190,987,311	115,811,859	306,799,170
Bond Insurance (Net)	54,720	80,183	134,903
	<u>\$ 345,473,234</u>	<u>\$ 156,107,232</u>	<u>\$ 501,580,466</u>
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Advance Refundings	\$ 2,881,451	\$ _____	\$ 2,881,451
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 29,041,670	\$ 2,654,013	\$ 31,695,683
Due to Primary Government			
Unearned Revenue	188,587	168,815	357,402
Liabilities Payable From Restricted Assets	1,342,169	3,690,132	5,032,301
Noncurrent Liabilities:			
Due Within One Year	10,773,779		10,773,779
Due in More Than One Year	185,318,058	20,486,297	205,804,355
	<u>\$ 226,664,263</u>	<u>\$ 26,999,257</u>	<u>\$ 253,663,520</u>
Total Liabilities			

The accompanying notes are an integral part of the financial statements.

<u>Component Units</u>	
<u>MB Downtown Redevelopment Corporation</u>	<u>MB Convention Center Hotel Corporation</u>
\$ 1,081,833 3,000 277,533 <hr/> \$ 1,362,366	\$ 3,334,781 565,170 62,234 422,100 3,317,967 32,422,279 322,197 <hr/> \$ 40,446,728 \$ _____
\$ 11,353 110,299 31,915 9,204 12,989 <hr/> \$ 175,760	\$ 954,604 24,938,368 275,928 741,466 250,000 18,706,082 <hr/> \$ 45,866,448

A-1 (Continued)

CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net Investment in Capital Assets	\$ 100,612,540	\$ 114,506,690	\$ 215,119,230
Restricted for:			
Capital Projects	3,824,220	100,291	3,924,511
Capital Replacements			
Community Development	6,176,668		6,176,668
Debt Service	5,024,548	635,017	5,659,565
Library	109,060		109,060
Narcotics Law Enforcement	297,651		297,651
Renewal and Replacement		210,000	210,000
Taxes and Insurance			
Tourism Promotion and Support	4,329,250		4,329,250
Unrestricted	1,316,485	13,655,977	14,972,462
Total Net Position	\$ 121,690,422	\$ 129,107,975	\$ 250,798,397

The accompanying notes are an integral part of the financial statements.

<u>Component Units</u>	
<u>MB Downtown</u>	<u>MB Convention</u>
<u>Redevelopment</u>	<u>Center Hotel</u>
<u>Corporation</u>	<u>Corporation</u>
\$ 277,533	\$ 13,476,197
	273,680
	2,368,086
	424,735
<u>909,073</u>	<u>(21,962,418)</u>
<u>\$ 1,186,606</u>	<u>\$ (5,419,720)</u>

**CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

<u>Functions / Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 11,319,984	\$ 2,695,365	\$	\$
Public Safety	33,247,797	2,052,795	435,211	
Transportation	8,666,134	2,177,007	88,006	7,221,160
Community and Economic Development	28,377,759	2,510,118	329,212	931,986
Culture and Recreation	20,110,668	7,507,149	513,358	2,720
Public Works	1,399,578		211,842	
Interest and Fiscal Charges	8,779,399			
Total Governmental Activities	<u>\$ 111,901,319</u>	<u>\$ 16,942,434</u>	<u>\$ 1,577,629</u>	<u>\$ 8,155,866</u>
Business-Type Activities:				
Water	\$ 14,235,486	\$ 12,425,117	\$	\$ 1,394,906
Sewer	13,068,631	12,109,673		1,789,232
Baseball Stadium	616,989	36,841		
Municipal Golf Course	1,474,824	938,737		
Solid Waste Management	4,194,082	4,176,291		
Total Business Type Activities	<u>\$ 33,590,012</u>	<u>\$ 29,686,659</u>	<u>\$</u>	<u>\$ 3,184,138</u>
Total Primary Government	<u>\$ 145,491,331</u>	<u>\$ 46,629,093</u>	<u>\$ 1,577,629</u>	<u>\$ 11,340,004</u>
Component Units:				
MB Downtown Redevelopment Corporation	\$ 1,423,021	\$ 1,421,997	\$	\$
MB Convention Center Hotel Corporation	17,284,977	15,555,492		
Total Component Units	<u>\$ 18,707,998</u>	<u>\$ 16,977,489</u>	<u>\$</u>	<u>\$</u>

General Revenues:
Property Taxes
Local Accommodations Taxes
Business License Taxes
Franchise Taxes
Hospitality Fee Taxes
Local Option Tourism Taxes
Grants and Contributions not Restricted to Specific Programs
Investment Earnings
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning, as Previously Reported
Cumulative Effect of Adopting GASB Statement No. 65
Net Position - Beginning, as Restated

Net Position - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	MB Downtown Redevelopment Corporation	MB Convention Center Hotel Corporation
\$ (8,624,619)	\$	\$ (8,624,619)		
(30,759,791)		(30,759,791)		
820,039		820,039		
(24,606,443)		(24,606,443)		
(12,087,441)		(12,087,441)		
(1,187,736)		(1,187,736)		
(8,779,399)		(8,779,399)		
<u>\$ (85,225,390)</u>	<u>\$</u>	<u>\$ (85,225,390)</u>		
\$	\$ (415,463)	\$ (415,463)		
	830,274	830,274		
	(580,148)	(580,148)		
	(536,087)	(536,087)		
	(17,791)	(17,791)		
<u>\$</u>	<u>\$ (719,215)</u>	<u>\$ (719,215)</u>		
<u>\$ (85,225,390)</u>	<u>\$ (719,215)</u>	<u>\$ (85,944,605)</u>		
			\$ (1,024)	\$
				(1,729,485)
			<u>\$ (1,024)</u>	<u>\$ (1,729,485)</u>
\$ 25,796,261	\$	\$ 25,796,261	\$	\$
2,333,117		2,333,117		
19,050,722		19,050,722		
3,755,715		3,755,715		
10,077,734		10,077,734		
23,298,736		23,298,736		
10,501,165		10,501,165		
168,740	82,602	251,342	1,867	106,873
179,000	(179,000)			
<u>\$ 95,161,190</u>	<u>\$ (96,398)</u>	<u>\$ 95,064,792</u>	<u>\$ 1,867</u>	<u>\$ 106,873</u>
<u>\$ 9,935,800</u>	<u>\$ (815,613)</u>	<u>\$ 9,120,187</u>	<u>\$ 843</u>	<u>\$ (1,622,612)</u>
\$ 114,601,084	\$ 130,264,071	\$ 244,865,155	\$ 1,185,763	\$ (3,258,991)
(2,846,462)	(340,483)	(3,186,945)		(538,117)
<u>\$ 111,754,622</u>	<u>\$ 129,923,588</u>	<u>\$ 241,678,210</u>	<u>\$ 1,185,763</u>	<u>\$ (3,797,108)</u>
<u>\$ 121,690,422</u>	<u>\$ 129,107,975</u>	<u>\$ 250,798,397</u>	<u>\$ 1,186,606</u>	<u>\$ (5,419,720)</u>

CITY OF MYRTLE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Convention Center Fund	Local Option Tourism Fee Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Temporary Investments	\$ 3,801,153	\$ 79,216	\$ 504,921
Receivables (Net):			
Property Taxes	999,828		
Local Accommodations Taxes			
Hospitality Fees			
Storm Water Fees			
Accounts	3,161,700	147,444	
Intergovernmental	848,836		6,096,468
Loans	25,333		
Due From Other Funds	6,938,450		
Due From Component Units	110,299	24,938,368	
Inventories	115,749		
Prepaid Assets	4,034		
Restricted Cash and Temporary Investments	<u>1,104,151</u>		
Total Assets	<u>\$ 17,109,533</u>	<u>\$ 25,165,028</u>	<u>\$ 6,601,389</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 3,359,190	\$ 210,858	\$ 4,877,174
Due to Other Fund			
Payable From Restricted Assets:			
Court Bonds	313,036		
Refundable Deposits	244,920		
Other	137,905		
Unearned Revenue	<u>20,654</u>	<u>161,883</u>	
Total Liabilities	<u>\$ 4,075,705</u>	<u>\$ 372,741</u>	<u>\$ 4,877,174</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>\$ 1,728,284</u>	<u>\$ 24,693,932</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 12,121,583	\$ 8,016,919	\$ 24,523,792
	68,781	1,068,609
	399,623	399,623
	1,524,571	1,524,571
	67,229	67,229
248,800	122,467	3,680,411
2,311,769	3,046,354	12,303,427
	722,066	747,399
		6,938,450
		25,048,667
		115,749
		4,034
<u>12,997,712</u>	<u>10,352,693</u>	<u>24,454,556</u>
<u>\$ 27,679,864</u>	<u>\$ 24,320,703</u>	<u>\$ 100,876,517</u>

\$ 2,656,241	\$ 1,389,146	\$ 12,492,609
	3,667,658	3,667,658
		313,036
646,308		891,228
		137,905
6,050		188,587
<u>\$ 3,308,599</u>	<u>\$ 5,056,804</u>	<u>\$ 17,691,023</u>

<u>\$ _____</u>	<u>\$ 85,373</u>	<u>\$ 26,507,589</u>
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A-3 (Continued)

**CITY OF MYRTLE BEACH, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Convention Center Fund	Local Option Tourism Fee Fund
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (continued)			
Fund Balances (Deficit):			
Nonspendable:			
Inventories	\$ 115,749	\$	\$
Long-Term Receivables	25,333		
Prepaid Assets	4,034		
Restricted for:			
Capital Projects			
Community Development			
Debt Service			
Library	109,060		
Narcotics Law Enforcement	297,651		
Tourism Promotion and Support		98,355	1,724,215
Committed for:			
Demolition Loans	14,667		
Assigned for:			
Capital Projects			
Disaster Recovery			
Ocean Front Improvements	414,605		
Unassigned	10,324,445		
Total Fund Balances	\$ 11,305,544	\$ 98,355	\$ 1,724,215
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 17,109,533	 \$ 25,165,028	 \$ 6,601,389

The accompanying notes are an integral part of the financial statements.

<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
	722,066	115,749 747,399 4,034
11,270,415	2,216,174 5,454,602 10,085,585	13,486,589 5,454,602 10,085,585 109,060 297,651
1,080,989	1,398,839	4,302,398
		14,667
10,923,095 1,096,766		10,923,095 1,096,766 414,605
	(698,740)	9,625,705
<u>\$ 24,371,265</u>	<u>\$ 19,178,526</u>	<u>\$ 56,677,905</u>
<u>\$ 27,679,864</u>	<u>\$ 24,320,703</u>	<u>\$ 100,876,517</u>

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**CITY OF MYRTLE BEACH, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total Fund Balances - Total Governmental Funds	\$ 56,677,905
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	223,917,624
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	26,507,589
Internal service funds are used by management to charge the costs of fleet management and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	3,922,217
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(189,334,913)</u>
Net Position of Governmental Activities	<u>\$ 121,690,422</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General Fund	Convention Center Fund	Local Option Tourism Fee Fund
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 18,438,826	\$	\$
Local Accommodations Taxes			
Hospitality Fees			
Storm Water Fees			
Local Option Tourism Fees			23,298,736
Licenses and Permits	24,228,244		
Fines and Forfeitures	1,073,051		
Intergovernmental	2,638,747	60,000	
Charges for Services	2,836,541	2,385,289	
Miscellaneous	3,126,782	3,032,292	58,819
Total Revenues	<u>\$ 52,342,191</u>	<u>\$ 5,477,581</u>	<u>\$ 23,357,555</u>
EXPENDITURES			
Current:			
General Government	\$ 9,528,925	\$ 357,680	\$
Public Safety	32,746,712		
Transportation	3,602,873		
Community and Economic Development	2,356,515		18,681,668
Culture and Recreation	12,433,013	4,181,732	
Public Works	1,394,960		
Capital Outlay	45,306		
Debt Service:			
Principal			
Interest and Fiscal Charges			
Bond Issuance Costs			
Payment to Escrow Agent			
Total Expenditures	<u>\$ 62,108,304</u>	<u>\$ 4,539,412</u>	<u>\$ 18,681,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (9,766,113)</u>	<u>\$ 938,169</u>	<u>\$ 4,675,887</u>

The accompanying notes are an integral part of the financial statements.

Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ 635,962	\$ 6,767,963	\$ 25,842,751
	2,333,163	2,333,163
	10,075,280	10,075,280
	2,181,517	2,181,517
		23,298,736
579,500		24,807,744
	130,889	1,203,940
2,556,620	9,376,089	14,631,456
		5,221,830
639,477	137,424	6,994,794
<u>\$ 4,411,559</u>	<u>\$ 31,002,325</u>	<u>\$ 116,591,211</u>

\$ 745,028	\$ 734,448	\$ 11,366,081
15,183		32,761,895
106,165	1,823,702	5,532,740
16,798	4,391,596	25,446,577
289,340		16,904,085
		1,394,960
13,357,714	103,352	13,506,372
	8,229,829	8,229,829
	7,031,794	7,031,794
	590,288	590,288
	1,507,567	1,507,567
<u>\$ 14,530,228</u>	<u>\$ 24,412,576</u>	<u>\$ 124,272,188</u>

<u>\$ (10,118,669)</u>	<u>\$ 6,589,749</u>	<u>\$ (7,680,977)</u>
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A-5 (Continued)

**CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

	General Fund	Convention Center Fund	Local Option Tourism Fee Fund
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 10,949,622	\$ 1,701,894	\$
Transfers Out	(102,703)	(2,423,150)	(5,225,019)
Refunding Hospitality Fee Revenue Bonds Issued			
Premium on Refunding Hospitality Fee Revenue Bonds			
Capital Lease Obligation			
Payment to Escrow Agent			
Total Other Financing Sources (Uses)	<u>\$ 10,846,919</u>	<u>\$ (721,256)</u>	<u>\$ (5,225,019)</u>
Net Change in Fund Balances	<u>\$ 1,080,806</u>	<u>\$ 216,913</u>	<u>\$ (549,132)</u>
Fund Balances - Beginning	<u>10,224,738</u>	<u>(118,558)</u>	<u>2,273,347</u>
Fund Balances - Ending	<u><u>\$ 11,305,544</u></u>	<u><u>\$ 98,355</u></u>	<u><u>\$ 1,724,215</u></u>

The accompanying notes are an integral part of the financial statements.

<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 16,650,000	\$ 12,213,441	\$ 41,514,957
(3,150,545)	(30,434,540)	(41,335,957)
	61,915,000	61,915,000
	2,642,129	2,642,129
290,000		290,000
	<u>(50,181,917)</u>	<u>(50,181,917)</u>
\$ <u>13,789,455</u>	\$ <u>(3,845,887)</u>	\$ <u>14,844,212</u>
\$ 3,670,786	\$ 2,743,862	\$ 7,163,235
<u>20,700,479</u>	<u>16,434,664</u>	<u>49,514,670</u>
\$ <u><u>24,371,265</u></u>	\$ <u><u>19,178,526</u></u>	\$ <u><u>56,677,905</u></u>

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**CITY OF MYRTLE BEACH, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$ 7,163,235
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays (\$13,506,372) exceeded depreciation (\$10,591,320) in the current period.	2,915,052
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	5,044,850
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,927,816)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(989,837)
Internal service funds are used by management to charge the costs of fleet management and insurance to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.	<u>730,316</u>
Change in Net Position of Governmental Activities	<u>\$ 9,935,800</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Enterprise Funds		
	Water and Sewer Fund	Baseball Stadium Fund	Municipal Golf Course Fund
ASSETS			
Current Assets:			
Cash and Temporary Investments	\$ 12,010,576	\$	\$ 12,127
Receivables (Net):			
Accounts	1,040,952		9,297
Intergovernmental		380,514	
Due From Other Funds	3,174,660		
Inventories	781,639		95,345
Prepaid Assets		1,056	
Total Current Assets	<u>\$ 17,007,827</u>	<u>\$ 381,570</u>	<u>\$ 116,769</u>
Noncurrent Assets:			
Intergovernmental Receivable	\$	\$ 661,500	\$
Restricted Cash and Temporary Investments	2,002,524	1,122,916	
Land and Construction in Progress	3,289,629	5,890,408	10,385,480
Other Capital Assets (Net)	106,699,088	4,155,102	4,392,191
Bond Insurance (Net)	64,743	15,440	
Total Noncurrent Assets	<u>\$ 112,055,984</u>	<u>\$ 11,845,366</u>	<u>\$ 14,777,671</u>
Total Assets	<u>\$ 129,063,811</u>	<u>\$ 12,226,936</u>	<u>\$ 14,894,440</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 2,256,134	\$ 12,150	\$ 96,318
Due to Other Fund		1,049,311	1,766,020
Unreported Insurance Claims			
Capital Lease Obligations			
Payable From Restricted Assets:			
Refundable Deposits	1,752,674		
Interest Payable	249,833	87,625	
County Renewal and Replacement Fund		90,000	
Revenue Bonds	875,000		
Certificates of Participation		635,000	
Total Current Liabilities	<u>\$ 5,133,641</u>	<u>\$ 1,874,086</u>	<u>\$ 1,862,338</u>

The accompanying notes are an integral part of the financial statements.

<u>Enterprise Funds</u>		
<u>Solid Waste Management Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 35	\$ 12,022,738	\$ 20,482,114
151,363	1,201,612	93,870
	380,514	
	3,174,660	
16,482	893,466	161,992
	1,056	88,097
<u>\$ 167,880</u>	<u>\$ 17,674,046</u>	<u>\$ 20,826,073</u>
\$	\$ 661,500	\$
	3,125,440	3,636,423
	19,565,517	
565,478	115,811,859	5,463,674
	80,183	
<u>\$ 565,478</u>	<u>\$ 139,244,499</u>	<u>\$ 9,100,097</u>
<u>\$ 733,358</u>	<u>\$ 156,918,545</u>	<u>\$ 29,926,170</u>
\$ 289,411	\$ 2,654,013	\$ 11,488,024
359,329	3,174,660	3,270,792
		457,417
		559,631
	1,752,674	
	337,458	
	90,000	
	875,000	
	635,000	
<u>\$ 648,740</u>	<u>\$ 9,518,805</u>	<u>\$ 15,775,864</u>

A-7 (Continued)

CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Enterprise Funds		
	Water and Sewer Fund	Baseball Stadium Fund	Municipal Golf Course Fund
LIABILITIES (continued)			
Noncurrent Liabilities:			
Compensated Absences	\$ 32,659		\$ 15,669
Unreported Insurance Claims			
Capital Lease Obligations			
Revenue Bonds (Net)	17,562,450		
Certificates of Participation (Net)		2,849,736	
Unearned Revenue	168,815		
Total Noncurrent Liabilities	<u>\$ 17,763,924</u>	<u>\$ 2,849,736</u>	<u>\$ 15,669</u>
Total Liabilities	<u>\$ 22,897,565</u>	<u>\$ 4,723,822</u>	<u>\$ 1,878,007</u>
NET POSITION			
Net Investment in Capital Assets	\$ 91,551,267	\$ 7,612,274	\$ 14,777,671
Restricted for:			
Capital Projects		100,291	
Debt Service	17	635,000	
Renewal and Replacement		210,000	
Unrestricted	<u>14,614,962</u>	<u>(1,054,451)</u>	<u>(1,761,238)</u>
Total Net Position	<u>\$ 106,166,246</u>	<u>\$ 7,503,114</u>	<u>\$ 13,016,433</u>

Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds

Net Position of Business-Type Activities

The accompanying notes are an integral part of the financial statements.

<u>Enterprise Funds</u>		
<u>Solid Waste Management Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 25,783	\$ 74,111	\$ 4,777
		2,070,483
		5,789,482
	17,562,450	
	2,849,736	
	168,815	
<u>\$ 25,783</u>	<u>\$ 20,655,112</u>	<u>\$ 7,864,742</u>
<u>\$ 674,523</u>	<u>\$ 30,173,917</u>	<u>\$ 23,640,606</u>
\$ 565,478	\$ 114,506,690	\$ 2,750,984
	100,291	
	635,017	
	210,000	
<u>(506,643)</u>	<u>11,292,630</u>	<u>3,534,580</u>
<u>\$ 58,835</u>	<u>\$ 126,744,628</u>	<u>\$ 6,285,564</u>
	<u>2,363,347</u>	
	<u>\$ 129,107,975</u>	

CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds		
	Water and Sewer Fund	Baseball Stadium Fund	Municipal Golf Course Fund
OPERATING REVENUES			
Charges for Services	\$ 24,420,988	\$ 36,841	\$ 934,953
OPERATING EXPENSES			
Administration	\$ 4,033,916	\$	\$ 577,033
Operations	18,540,369	125,680	630,121
Depreciation	4,248,238	308,950	272,528
Total Operating Expenses	<u>\$ 26,822,523</u>	<u>\$ 434,630</u>	<u>\$ 1,479,682</u>
Operating Income (Loss)	<u>\$ (2,401,535)</u>	<u>\$ (397,789)</u>	<u>\$ (544,729)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Earned	\$ 28,681	\$ 53,590	\$
Miscellaneous Revenue	113,802		3,784
Gain on Disposal of Capital Assets	1,250		
Interest and Fiscal Charges	(711,708)	(183,734)	(410)
Amortization of Bond Insurance	(4,737)	(3,860)	
Total Nonoperating Revenues (Expenses)	<u>\$ (572,712)</u>	<u>\$ (134,004)</u>	<u>\$ 3,374</u>
Income (Loss) Before Contributions and Transfers	<u>\$ (2,974,247)</u>	<u>\$ (531,793)</u>	<u>\$ (541,355)</u>
Capital Contributions	3,184,138		
Transfers In		817,000	
Transfers Out	<u>(1,246,000)</u>		
Change in Net Position	<u>\$ (1,036,109)</u>	<u>\$ 285,207</u>	<u>\$ (541,355)</u>
Total Net Position - Beginning, as Previously Reported	\$ 107,470,635	\$ 7,290,110	\$ 13,557,788
Cumulative Effect of Adopting GASB Statement No. 65	<u>(268,280)</u>	<u>(72,203)</u>	
Total Net Position - Beginning, as Restated	<u>\$ 107,202,355</u>	<u>\$ 7,217,907</u>	<u>\$ 13,557,788</u>
Total Net Position - Ending	<u>\$ 106,166,246</u>	<u>\$ 7,503,114</u>	<u>\$ 13,016,433</u>

Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds

Change in Net Position of Business-Type Activities

The accompanying notes are an integral part of the financial statements.

<u>Enterprise Funds</u>		
<u>Solid Waste Management Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 4,176,291	\$ 29,569,073	\$ 18,381,124
\$ 636,647	\$ 5,247,596	\$ 494,158
3,691,924	22,988,094	14,831,076
54,424	4,884,140	1,896,581
<u>\$ 4,382,995</u>	<u>\$ 33,119,830</u>	<u>\$ 17,221,815</u>
\$ (206,704)	\$ (3,550,757)	\$ 1,159,309
\$ 331	\$ 82,602	\$ 22,058
	117,586	2,251
	1,250	40,266
	(895,852)	(110,551)
	(8,597)	
<u>\$ 331</u>	<u>\$ (703,011)</u>	<u>\$ (45,976)</u>
\$ (206,373)	\$ (4,253,768)	\$ 1,113,333
	3,184,138	50,000
250,000	1,067,000	
	(1,246,000)	
<u>\$ 43,627</u>	<u>\$ (1,248,630)</u>	<u>\$ 1,163,333</u>
\$ 15,208		\$ 5,122,231
<u>\$ 15,208</u>		<u>\$ 5,122,231</u>
<u>\$ 58,835</u>		<u>\$ 6,285,564</u>
	<u>433,017</u>	
\$	<u>(815,613)</u>	

CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds		
	Water and Sewer Fund	Baseball Stadium Fund	Municipal Golf Course Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers	\$ 24,677,041	\$ 36,841	\$ 938,055
Receipts From Interfund Services Provided			
Payments to Suppliers	(19,065,812)	(73,245)	(536,835)
Payments to Employees	(2,096,321)		(492,484)
Payments for Interfund Services Used	(2,075,257)	(41,413)	(120,868)
Payments of Claims			
Net Cash and Cash Equivalents Provided (Used) by Operating Activities	<u>\$ 1,439,651</u>	<u>\$ (77,817)</u>	<u>\$ (212,132)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	\$	\$ 817,000	\$
Transfers Out	(1,246,000)		
Proceeds From Interfund Loans		185,097	212,541
Payments on Interfund Loans	(250,332)		
Interest Payments on Interfund Loans			(409)
Net Cash and Cash Equivalents Provided (Used) by Noncapital Financing Activities	<u>\$ (1,496,332)</u>	<u>\$ 1,002,097</u>	<u>\$ 212,132</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	\$ 1,518,880	\$	\$
Collections on Intergovernmental Receivable		44,524	
Proceeds From Capital Lease Obligation			
Principal Payments on Long-Term Debt	(850,000)	(605,000)	
Interest Payments on Long-Term Debt	(721,594)	(189,921)	
Payment of Bond Administration Fees	(4,023)	(3,418)	
Purchases of Capital Assets	(4,779,454)	(327,263)	
Proceeds From Disposal of Capital Assets	1,250		
Net Cash and Cash Equivalents Provided (Used) by Capital and Related Financing Activities	<u>\$ (4,834,941)</u>	<u>\$ (1,081,078)</u>	<u>\$</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	\$ 28,681	\$ 53,590	\$
Net Cash and Cash Equivalents Provided by Investing Activities	<u>\$ 28,681</u>	<u>\$ 53,590</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

<u>Enterprise Funds</u>		
<u>Solid Waste Management Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 4,167,392	\$ 29,819,329	\$ 18,381,124
(1,752,768)	(21,428,660)	(4,402,210)
(1,141,162)	(3,729,967)	(361,378)
(1,376,487)	(3,614,025)	(8,740,931)
<u>\$ (103,025)</u>	<u>\$ 1,046,677</u>	<u>\$ 4,876,605</u>
\$ 250,000	\$ 1,067,000	\$ 66,810
	(1,246,000)	
	397,638	66,810
(147,306)	(397,638)	(748,727)
	(409)	
<u>\$ 102,694</u>	<u>\$ (179,409)</u>	<u>\$ (681,917)</u>
\$	\$ 1,518,880	\$ 50,000
	44,524	
		3,636,423
	(1,455,000)	(538,202)
	(911,515)	(130,437)
	(7,441)	
	(5,106,717)	(1,153,686)
	1,250	41,395
<u>\$</u>	<u>\$ (5,916,019)</u>	<u>\$ 1,905,493</u>
<u>\$ 331</u>	<u>\$ 82,602</u>	<u>\$ 22,058</u>
<u>\$ 331</u>	<u>\$ 82,602</u>	<u>\$ 22,058</u>

A-9 (Continued)

**CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014**

	Enterprise Funds		
	Water and Sewer Fund	Baseball Stadium Fund	Municipal Golf Course Fund
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (4,862,941)	\$ (103,208)	\$
Cash and Cash Equivalents - Beginning	<u>18,876,041</u>	<u>1,226,124</u>	<u>12,127</u>
Cash and Cash Equivalents - Ending	<u>\$ 14,013,100</u>	<u>\$ 1,122,916</u>	<u>\$ 12,127</u>

Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents Provided (Used) by Operating Activities

Operating Income (Loss)	\$ (2,401,535)	\$ (397,789)	\$ (544,729)
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Cash Equivalents Provided (Used) by Operating Activities:			
Depreciation	4,248,238	308,950	272,528
(Increase) Decrease in Accounts Receivable (Net)	72,391		(682)
(Increase) Decrease in Inventories	(53,683)		48,689
Decrease in Prepaid Assets			
Increase (Decrease) in Accounts Payable and Accrued Expenses	(609,422)	11,022	8,278
Increase in Refundable Deposits Payable	70,430		
(Decrease) in Unreported Insurance Claims			
Decrease in Unearned Revenue	(570)		
Miscellaneous Receipts	<u>113,802</u>		<u>3,784</u>
Net Cash and Cash Equivalents Provided (Used) by Operating Activities	<u>\$ 1,439,651</u>	<u>\$ (77,817)</u>	<u>\$ (212,132)</u>

The accompanying notes are an integral part of the financial statements.

<u>Enterprise Funds</u>		
<u>Solid Waste Management Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$	\$ (4,966,149)	\$ 6,122,239
<u>35</u>	<u>20,114,327</u>	<u>17,996,298</u>
<u>\$ 35</u>	<u>\$ 15,148,178</u>	<u>\$ 24,118,537</u>
\$ (206,704)	\$ (3,550,757)	\$ 1,159,309
54,424	4,884,140	1,896,581
(8,899)	62,810	(4,793)
2,925	(2,069)	(10,221)
		3,807
55,229	(534,893)	2,322,424
	70,430	
		(492,753)
	(570)	
	<u>117,586</u>	<u>2,251</u>
<u>\$ (103,025)</u>	<u>\$ 1,046,677</u>	<u>\$ 4,876,605</u>

A-9 (Continued)

CITY OF MYRTLE BEACH, SOUTH CAROLINA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2014

	<u>Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Baseball Stadium Fund</u>	<u>Municipal Golf Course Fund</u>
<u>Noncash Capital and Related Financing Activities</u>			
Fair Value of Capital Asset Contributions	\$ 1,665,258		\$
Book Value of Capital Asset Disposals			
Capitalized Interest	55,006		

Reconciliation of Cash and Cash Equivalents

Unrestricted Cash and Temporary Investments	\$ 12,010,576	\$	\$ 12,127
Restricted Cash and Temporary Investments	2,002,524	1,122,916	
	<u>\$ 14,013,100</u>	<u>\$ 1,122,916</u>	<u>\$ 12,127</u>

The accompanying notes are an integral part of the financial statements.

<u>Enterprise Funds</u>		
<u>Solid Waste Management Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$	\$ 1,665,258	\$
	55,006	1,129
\$ 35	\$ 12,022,738	\$ 20,482,114
	3,125,440	3,636,423
<u>\$ 35</u>	<u>\$ 15,148,178</u>	<u>\$ 24,118,537</u>

**CITY OF MYRTLE BEACH, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2014**

ASSETS

Cash and Temporary Investments \$ 11,401

LIABILITIES

Due to Firemen's Association \$ 11,401

The accompanying notes are an integral part of the financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Myrtle Beach, South Carolina (the City) was incorporated in 1933 as a municipal corporation, and as such, possesses all the general powers granted by the constitution and laws of South Carolina to municipal corporations. The City is governed by an elected mayor and a six-member council and operates under the Council-Manager form of government.

The City's financial statements have been prepared in conformity with generally accepted accounting principles 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 City applies all relevant GASB pronouncements.

The more significant accounting policies of the City are described below.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the City. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City. The City's blended and discretely presented component units have June 30 year-ends and are described below.

Blended Component Unit - The Myrtle Beach Public Facilities Corporation (MBPFC) is governed by a three-member board appointed by City Council. Although it is legally separate from the City, the MBPFC is reported as if it were part of the City because its sole purpose is to serve the City exclusively for financing purposes. The MBPFC is reported as a nonmajor governmental fund and does not issue separate financial statements.

Discretely Presented Component Units - The Myrtle Beach Downtown Redevelopment Corporation (MBDRC) is responsible for promoting and assisting in the development of business concerns and residential housing in the downtown area of Myrtle Beach. The MBDRC is fiscally dependent upon the City because City Council sets the fees that can be charged by the MBDRC. The MBDRC is presented as a governmental fund type and does not issue separate financial statements.

The Myrtle Beach Convention Center Hotel Corporation (MBCCHC) is responsible for the construction and operation of a convention center hotel. City Council appoints all members of the MBCCHC's board. The MBCCHC is fiscally dependent upon the City because City Council approves the MBCCHC's budget and must approve any debt issuances. The MBCCHC is presented as an enterprise fund type. Separate financial statements for the MBCCHC can be obtained by writing Post Office Box 2468, Myrtle Beach, South Carolina 29578 or phone (843) 918-1100.

B. Government-Wide Financial Statements

The City's government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statement focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

C. Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

Governmental Funds

The focus of the governmental funds' measurement, in the fund statements, is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the City's governmental funds:

1. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
3. Debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
4. Capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

1. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. An enterprise fund may also be used to account for any activity for which a fee is charged to external users for goods or services.
2. Internal service funds are used to account for the financing of goods and services provided by an activity to other funds of the City on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in the fund financial statements is on the major funds in either the governmental or business-type activities categories. The City's nonmajor funds by category are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Convention Center Fund* is a special revenue fund that is used to accumulate funds from the meetings activities for the purpose of supporting and funding convention center related activities.

The *Local Option Tourism Fee Fund* is a special revenue fund that is used to account for an additional 1.0% sales tax imposed on prepared foods and beverages, accommodations and retail sales for the purpose of tourism development.

The *Capital Improvements Fund* is a capital projects fund that is used to account for the acquisition or construction of major capital facilities.

The City's major proprietary funds were as follows:

The *Water and Sewer Fund* is an enterprise fund that is used to account for the provision of water and sewer services to the residents of the City and surrounding areas.

The *Baseball Stadium Fund* is an enterprise fund that is used to account for the operation of a baseball stadium facility.

The *Municipal Golf Course Fund* is an enterprise fund that is used to account for the operation of a public golf course.

The *Solid Waste Management Fund* is an enterprise fund that is used to account for the provision of solid waste collection services and the operation of various recycling programs.

The City's internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal service funds are the City's governmental activities, their financial statements are consolidated into the governmental activities column when presented in the government-wide financial statements. The City reports the following internal service funds:

The *Fleet Management Fund* is used to account for the rental of motor vehicles and certain equipment to other funds and the related costs associated with those rentals.

The *Self Insurance Fund* is used to account for the City's worker's compensation, general liability and property damage insurance programs which accumulate resources from charges to other funds for the payment of premiums, claims and administrative expenses.

The *Health Insurance Fund* is used to account for the City's health insurance program which accumulates resources from charges to other funds for the payment of premiums, claims and administrative expenses.

The City's agency fund is presented in the fiduciary fund financial statement. Since these assets cannot be used to address activities or obligations of the City, the agency fund is not incorporated into the government-wide financial statements. The City's agency fund is as follows:

The *Firemen's Fund* is used to account for resources held by the City for its firemen in an agency capacity.

D. Measurement Focus and Basis of Accounting

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

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

The City considers property taxes, local accommodations taxes, hospitality fees, storm water fees, local option tourism fees, intergovernmental revenues and charges for services to be susceptible to accrual. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, permits, fines and forfeitures.

The agency fund financial statement is reported using the accrual basis of accounting. Agency funds do not have a measurement focus.

E. Cash and Temporary Investments

Cash and investments are held in a single central depository except where legal restrictions prohibit such. Each fund owns a pro rata share in the depository. Interest is allocated monthly to the individual funds based on their average monthly balances.

For purposes of the statement of cash flows, as presented for the City's proprietary funds, cash equivalents include demand deposits, money market accounts and short-term investments, including restricted amounts, with original maturity dates of three months or less.

Investments are stated at fair value. Changes in the fair value of investments are included as a component of investment income. The City uses quoted market prices to determine the fair value of investments. The fair value of the City's position in the South Carolina Local Government Investment Pool (SCLGIP) is the same as the value of the pool shares. The SCLGIP is not registered with the Securities Exchange Commission as an investment company. The State Treasurer is responsible for oversight of the SCLGIP.

F. Receivables

Receivables are presented in the financial statements net of allowances for doubtful accounts. Allowances for doubtful accounts are based upon historical trends and the periodic aging of receivables.

G. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is classified as either loans, services provided, reimbursements or transfers. Loans are referred to as either due to/from other funds or advances to/from other funds. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

H. Inventories

Inventories are valued at cost, primarily on an average cost basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Prepaid Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets using the consumption method in both the government-wide and fund financial statements.

J. Restricted Assets

Restricted assets include cash and temporary investments that are legally restricted as to their use. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, drainage systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Purchased capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

The costs of normal maintenance and repairs, which neither materially add to the value of an asset nor prolong its life, are charged to expense as incurred. Interest incurred during the construction of capital assets for business-type activities is reflected in the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	15 - 30 years
Buildings and Improvements	10 - 33 years
Distribution System	20 - 40 years
Infrastructure	10 - 40 years
Furniture, Vehicles and Equipment	5 - 10 years

L. Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The City currently has one item which qualifies for reporting in this category. It is the deferred amounts on advance refundings reported in the government-wide statement of net position. Deferred amounts on advance refundings result from the difference in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

M. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. The City currently has one item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay. There is no liability for unpaid accumulated sick pay since the City does not have to pay any amounts if an employee separates from service. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is not reported in the governmental funds.

O. Long-Term Obligations

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related bonds. Bonds payable are reported net of the applicable premium or discount. Bond insurance costs are reported as deferred charges and are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

P. Equity Classifications

In the government-wide and proprietary funds financial statements, equity is classified as net position and is displayed in the following components:

Net Investment in Capital Assets - Consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Consists of net position with constraints placed on their use by (a) third parties such as creditors, grantors, contributors or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of restricted or net investment in capital assets.

The government-wide statement of net position reports \$20,706,705 of total restricted net position, of which \$5,115,997 is restricted by enabling legislation.

In the governmental fund financial statements, fund balances are displayed in the following components:

Nonspendable - Consists of amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Consists of amounts with constraints placed on their use by (a) third parties such as creditors, grantors, contributors or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Committed - Consists of amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.

Assigned - Consists of amounts that the City intends to use for specific purposes. Amounts may be assigned by the City Manager pursuant to authorization established by City Council resolution.

Unassigned - Consists of all amounts not included in other spendable classifications. The City only reports positive unassigned fund balance in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. Additionally, the City first uses committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has not formally adopted a minimum fund balance policy.

Q. Revenues and Expenses

Real property and all personal property other than vehicles are assessed for property tax purposes as of January 1st of each year. All taxable property is assessed in proportion to its value on that date. The basis for value of taxable property within the City is taken from the records of the Horry County Auditor. Taxes are payable between October 1st and January 15th following their levy on October 1st. The lien date is January 15th and unpaid amounts after this date are considered to be delinquent and are subject to penalties for late payment.

New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Highway Department and payment is due before the end of the month of the scheduled renewal.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with GASB Statement No. 33, the City recognizes grant revenues and receivables when the applicable eligibility requirements, including time requirements, are met. Resources received before the eligibility requirements are met are reported as unearned revenue.

Note 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet is followed by a reconciliation between total fund balances - total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. The details of the element in the reconciliation that relates to long-term liabilities, \$189,334,913, follows:

Bonds Payable (Net)	\$ 183,595,946
Capital Lease Obligations	435,536
Compensated Absences	3,178,565
Accrued Interest Payable	5,061,037
Bond Insurance (Net)	(54,720)
Deferred Amounts on Advance Refundings	<u>(2,881,451)</u>
	<u>\$ 189,334,913</u>

The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. The element of the reconciliation that relates to long-term debt and related items, \$4,927,816, is comprised of the following:

Refunding Hospitality Fee Revenue Bonds Issued	\$ 61,915,000
Premium on Refunding Hospitality Fee Revenue Bonds	2,642,129
Capital Lease Obligation	290,000
Payment to Escrow Agent	(51,689,484)
Principal Repayments	<u>(8,229,829)</u>
	<u>\$ 4,927,816</u>

The details of another element in the reconciliation that relates to expenses, \$989,837, follows:

Compensated Absences	\$ (56,929)
Accrued Interest	1,025,014
Amortization of Bond Insurance	24,668
Amortization of Bond Discounts and Premiums	(184,948)
Amortization of Deferred Amounts on Advance Refundings	<u>182,032</u>
	<u>\$ 989,837</u>

Note 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

The legal level of budget control is at the fund level. Thus, expenditures may not legally exceed appropriations, including supplemental appropriations, for an individual fund. For the year ended June 30, 2014, expenditures did not exceed appropriations for any of the City's individual funds.

B. Deficit Fund Equity

The individual funds that have fund equity deficits at June 30, 2014 were as follows:

Nonmajor Governmental Fund:	
Public Facilities Corporation Fund	\$ 698,740
Internal Service Fund:	
Health Insurance Fund	5,185,028

Note 4 - CASH AND TEMPORARY INVESTMENTS

State statutes authorize the City to invest 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 associations to the extent that the same are insured by an agency of the Federal government, certificates of deposit where the certificates are collaterally secured by securities of the type described above, or deposit accounts with banking institutions. The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. Statutes also allow the State Treasurer to assist local governments in investing funds. The City is under no contractual agreements that restrict investment alternatives.

A. Deposits

At year end, the carrying amount of the City's deposits in financial institutions was \$21,228,499 and the financial institutions' balances totaled \$18,929,361. Of that balance, \$356,896 was covered by federal depository insurance and \$18,572,465 was collateralized with securities held by the pledging financial institutions' trust department in the City's name. At year-end, the City had \$16,743 in cash on hand.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires all deposits in excess of federal depository insurance to be collateralized with securities held by the pledging financial institution's trust department in the City's name.

At year end, the MBDRC's carrying amount of deposits in financial institutions was \$1,081,833 and the financial institutions' balances totaled \$1,188,482. Of that balance, \$250,000 was covered by federal depository insurance and \$938,482 was collateralized with securities held by the pledging financial institutions' trust department in the MBDRC's name.

The MBDRC's deposit policy for custodial credit risk requires all deposits in excess of federal depository insurance to be collateralized with securities held by the pledging financial institution's trust department in the MBDRC's name.

At year-end, the MBCCHC's carrying amount of deposits in financial institutions was \$850,224 and the financial institutions' balances totaled \$327,262. Of that balance, \$250,000 was covered by federal depository insurance and \$77,262 was uninsured and uncollateralized. At year-end, cash on hand totaled \$40,000.

The MBCCHC does not have a deposit policy for custodial credit risk.

B. Investments

At year-end, the City's investments consisted of the following:

	<u>Weighted Ave. Maturity</u>	<u>S&P Credit Rating</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Repurchase Agreements	1 Day	Not Rated	\$ 24,527,590	36.60%
U.S. Treasury Bill	0.21 Years	N/A	665,987	0.99
Federal Home Loan Bank	0.73 Years	AA+	9,144,433	13.65
Money Market Mutual Funds	Not Available	AAA	20,035,230	29.90
State Treasurer's Investment Pool	2 Months Average	Not Rated	<u>12,637,982</u>	<u>18.86</u>
			<u>\$ 67,011,222</u>	<u>100.00%</u>

The City's investment policy limits investments in non-U.S. government debt securities and mutual funds to the top rating issued by nationally recognized statistical rating organizations. The City's investment policy does not limit the amount it may invest in any one investment issuer. As a means of managing its exposure to fair value losses arising from increasing interest rates, the City's investment policy generally limits investment maturities to a maximum of one year.

At year-end, the MBCCHC's investments consisted of the following:

	<u>Weighted Ave. Maturity</u>	<u>S&P Credit Rating</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	0.50 Years	AA+	\$ 1,542,000	26.76%
Money Market Mutual Funds	Not Available	AAA	<u>4,220,524</u>	<u>73.24</u>
			<u>\$ 5,762,524</u>	<u>100.00%</u>

The MBCCHC does not have a formal investment policy that (a) limits its investment choices based on investment credit ratings, (b) limits the amount it may invest in any one investment issuer or (c) limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 5 - RECEIVABLES (NET)

Receivables at June 30, 2014, including the applicable allowances for doubtful accounts, are as follows:

	<u>General Fund</u>	<u>Convention Center Fund</u>	<u>Local Option Tourism Fee Fund</u>	<u>Capital Improvements Fund</u>
Property Taxes	\$ 3,779,352	\$	\$	\$
Local Accommodations Taxes				
Hospitality Fees				
Storm Water Fees				
Accounts	4,084,084	147,444		248,800
Intergovernmental	848,836		6,096,468	2,311,769
Loans	<u>25,333</u>			
	\$ 8,737,605	\$ 147,444	\$ 6,096,468	\$ 2,560,569
Allowances for Doubtful Accounts	<u>(3,701,908)</u>			
	<u>\$ 5,035,697</u>	<u>\$ 147,444</u>	<u>\$ 6,096,468</u>	<u>\$ 2,560,569</u>
	<u>Water and Sewer Fund</u>	<u>Baseball Stadium Fund</u>	<u>Municipal Golf Course Fund</u>	<u>Solid Waste Management Fund</u>
Property Taxes	\$	\$	\$	\$
Local Accommodations Taxes				
Hospitality Fees				
Storm Water Fees				
Accounts	1,321,731		9,297	234,656
Intergovernmental		1,042,014		
Loans				
	\$ 1,321,731	\$ 1,042,014	\$ 9,297	\$ 234,656
Allowances for Doubtful Accounts	<u>(280,779)</u>			<u>(83,293)</u>
	<u>\$ 1,040,952</u>	<u>\$ 1,042,014</u>	<u>\$ 9,297</u>	<u>\$ 151,363</u>
	<u>Nonmajor and Other Fund</u>	<u>Totals</u>		
Property Taxes	\$ 69,024	\$ 3,848,376		
Local Accommodations Taxes	406,939	406,939		
Hospitality Fees	1,569,610	1,569,610		
Storm Water Fees	122,361	122,361		
Accounts	216,337	6,262,349		
Intergovernmental	3,046,354	13,345,441		
Loans	<u>722,066</u>	<u>747,399</u>		
	\$ 6,152,691	\$ 26,302,475		
Allowances for Doubtful Accounts	<u>(107,730)</u>	<u>(4,173,710)</u>		
	<u>\$ 6,044,961</u>	<u>\$ 22,128,765</u>		

On September 1, 1998, the City entered into a hospitality fee agreement with Horry County, South Carolina (County) in conjunction with the construction of a baseball stadium facility. The agreement is for a period of twenty years and requires the County to make annual payments of principal and interest to the City for its 30% interest in the baseball stadium facility. At June 30, 2014, the intergovernmental receivable in the Baseball Stadium Fund, relating to this agreement, is to be collected as follows:

Year Ending June 30, 2015	\$ 199,500
2016	210,000
2017	220,500
2018	<u>231,000</u>
	<u>\$ 861,000</u>

Loans receivable in the Community Block Development Fund in the amount of \$722,066 are due in conjunction with the development of low-income housing within the City. The loans are non-interest bearing and are due December 1, 2025 (\$380,816) and June 30, 2030 (\$341,250).

Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2014, amounts due to/from other funds were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 6,938,450	\$
Nonmajor Governmental Funds		3,667,658
Internal Service Funds		3,270,792
Water and Sewer Fund	3,174,660	
Baseball Stadium Fund		1,049,311
Municipal Golf Course Fund		1,766,020
Solid Waste Management Fund		<u>359,329</u>
	<u>\$ 10,113,110</u>	<u>\$ 10,113,110</u>

The interfund loans were made to cover cash flow deficiencies of the various funds. The amounts due from three nonmajor governmental funds (\$2,968,918) are expected to be repaid shortly after the end of the fiscal year. All other amounts are expected to be repaid in more than one year, as resources become available.

Interfund transfers during the year ended June 30, 2014 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>			
	<u>General Fund</u>	<u>Convention Center Fund</u>	<u>Local Option Tourism Fee Fund</u>	<u>Capital Improvements Fund</u>
General Fund	\$	\$	\$ 2,471,545	\$ 512,545
Convention Center Fund				
Capital Improvements Fund			2,150,000	
Nonmajor Governmental Funds	102,703	2,423,150	603,474	2,421,000
Baseball Stadium Fund				217,000
Solid Waste Management Fund				
	<u>\$ 102,703</u>	<u>\$ 2,423,150</u>	<u>\$ 5,225,019</u>	<u>\$ 3,150,545</u>

	Transfers Out		
	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Transfers In			
General Fund	\$ 6,719,532	\$ 1,246,000	\$ 10,949,622
Convention Center Fund	1,701,894		1,701,894
Capital Improvements Fund	14,500,000		16,650,000
Nonmajor Governmental Funds	6,663,114		12,213,441
Baseball Stadium Fund	600,000		817,000
Solid Waste Management Fund	250,000		250,000
	<u>\$ 30,434,540</u>	<u>\$ 1,246,000</u>	<u>\$ 42,581,957</u>

Transfers are used to (a) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (b) move revenues restricted to debt service from the funds collecting them to the Debt Service Fund as principal and interest payments become due and (c) move revenues from the funds collecting them to other funds to finance various programs, project costs and administrative costs in accordance with budgetary authorizations.

Note 7 - TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

At June 30, 2014, amounts due to the City from its discretely presented component unit were as follows:

	Receivable	Payable
Primary Government:		
General Fund	\$ 110,299	\$
Convention Center Fund	24,938,368	
MBDRC		110,299
MBCCHC		24,938,368
	<u>\$ 25,048,667</u>	<u>\$ 25,048,667</u>

On June 1, 2001, the MBCCHC entered into a site lease with the City, which was subsequently amended on May 1, 2004. The site lease is for a 2.71 acre parcel of land upon which the convention center hotel is constructed. The site lease expires April 1, 2036 and requires annual rental payments equal to a fixed rental component plus 3.0% of the MBCCHC's gross revenues. The rental payments are to be remitted to the City in accordance with the terms of the revenue bond trust indenture. During the year ended June 30, 2014, rent expense for this lease amounted to \$3,417,160. Minimum future rental payments for the fixed component of this lease as of June 30, 2014 are as follows:

Year Ending June 30, 2015	\$ 2,966,188
2016	2,963,462
2017	2,963,306
2018	2,966,182
2019	2,965,932
2020 - 2024	19,209,672
2025 - 2029	19,030,750
2030 - 2034	19,039,250
2035 - 2036	7,610,000
	<u>\$ 79,714,742</u>

On June 1, 2001, the MBCCHC entered into a support facilities sublease with the City, which was subsequently amended on May 1, 2004. The support facilities sublease is for a portion of the convention center facilities. The support facilities sublease expires April 1, 2036 and requires the MBCCHC to make a \$1 annual rental payment to the City.

Note 8 - RESTRICTED CASH AND TEMPORARY INVESTMENTS

The City’s restricted cash and temporary investments consisted of the following at June 30, 2014:

Governmental Activities:	
General Fund:	
Court Bonds	\$ 313,036
Confiscated and Seized Funds	408,028
Grant Funds	1,579
Refundable Deposits	244,920
Other	136,588
Capital Improvements Fund:	
Bond Proceeds	9,662,369
PUD Improvements	1,473,448
Hospitality Fees	1,080,989
Refundable Deposits	646,308
Other	134,598
Nonmajor Governmental Funds:	
Storm Water Revenue Bond Accounts	1,712,730
Ocean Front Tax Increment Revenue Bond Accounts	2,054,660
Air Base Tax Increment Revenue Bond Accounts	6,585,303
Internal Service Fund:	
Capital Lease Obligation Account	3,636,423
	<u>\$ 28,090,979</u>
Business-Type Activities:	
Water and Sewer Fund:	
Refundable Deposits	\$ 1,752,674
Waterworks and Sewer System Revenue Bond Accounts	249,850
Baseball Stadium Fund:	
Certificates of Participation Accounts	722,625
Renewal and Replacement Accounts	300,000
Other	100,291
	<u>\$ 3,125,440</u>

At June 30, 2014, the MBCCHC’s restricted cash and temporary investments consisted of revenue bond accounts totaling \$3,317,967.

Note 9 - CAPITAL ASSETS (NET)

The City’s capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 28,546,742	\$	\$	\$ 28,546,742
Construction-in-Progress	<u>4,217,113</u>	<u>9,847,245</u>	<u>4,217,113</u>	<u>9,847,245</u>
	<u>\$ 32,763,855</u>	<u>\$ 9,847,245</u>	<u>\$ 4,217,113</u>	<u>\$ 38,393,987</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 48,124,463	\$ 1,947,064	\$	\$ 50,071,527
Buildings and Improvements	85,701,350	2,899,680		88,601,030
Furniture, Vehicles and Equipment	48,466,238	1,932,680	488,204	49,910,714
Infrastructure	<u>171,533,101</u>	<u>6,838,209</u>		<u>178,371,310</u>
	<u>\$ 353,825,152</u>	<u>\$ 13,617,633</u>	<u>\$ 488,204</u>	<u>\$ 366,954,581</u>
Accumulated Depreciation for:				
Land Improvements	\$ (8,969,485)	\$ (2,418,593)	\$	\$ (11,388,078)
Buildings and Improvements	(41,011,691)	(2,759,859)		(43,771,550)
Furniture, Vehicles and Equipment	(39,845,012)	(2,675,505)	(487,074)	(42,033,443)
Infrastructure	<u>(74,140,255)</u>	<u>(4,633,944)</u>		<u>(78,774,199)</u>
	<u>\$ (163,966,443)</u>	<u>\$ (12,487,901)</u>	<u>\$ (487,074)</u>	<u>\$ (175,967,270)</u>
Capital Assets (Net)	<u>\$ 222,622,564</u>	<u>\$ 10,976,977</u>	<u>\$ 4,218,243</u>	<u>\$ 229,381,298</u>
Business-Type Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 18,685,751	\$	\$	\$ 18,685,751
Construction-in-Progress	<u>753,367</u>	<u>879,766</u>	<u>753,367</u>	<u>879,766</u>
	<u>\$ 19,439,118</u>	<u>\$ 879,766</u>	<u>\$ 753,367</u>	<u>\$ 19,565,517</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 8,864,339	\$	\$	\$ 8,864,339
Buildings and Improvements	10,525,748	36,855		10,562,603
Distribution System	174,230,147	6,136,748		180,366,895
Furniture, Vehicles and Equipment	<u>4,917,811</u>	<u>471,973</u>	<u>6,835</u>	<u>5,382,949</u>
	<u>\$ 198,538,045</u>	<u>\$ 6,645,576</u>	<u>\$ 6,835</u>	<u>\$ 205,176,786</u>
Accumulated Depreciation for:				
Land Improvements	\$ (3,546,216)	\$ (328,772)	\$	\$ (3,874,988)
Buildings and Improvements	(5,942,672)	(312,225)		(6,254,897)
Distribution System	(70,278,808)	(4,170,639)		(74,449,447)
Furniture, Vehicles and Equipment	<u>(4,719,926)</u>	<u>(72,504)</u>	<u>(6,835)</u>	<u>(4,785,595)</u>
	<u>\$ (84,487,622)</u>	<u>\$ (4,884,140)</u>	<u>\$ (6,835)</u>	<u>\$ (89,364,927)</u>
Capital Assets (Net)	<u>\$ 133,489,541</u>	<u>\$ 2,641,202</u>	<u>\$ 753,367</u>	<u>\$ 135,377,376</u>

Depreciation expense was charged to functions / programs of the City as follows:

Governmental Activities:	
General Government	\$ 188,511
Public Safety	811,205
Transportation	3,272,172
Community and Economic Development	2,959,508
Culture and Recreation	3,343,178
Public Works	16,746
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on Their Usage of the Assets	<u>1,896,581</u>
	<u>\$ 12,487,901</u>

Business-Type Activities:	
Water	\$ 2,005,884
Sewer	2,242,354
Baseball Stadium	308,950
Municipal Golf Course	272,528
Solid Waste Management	<u>54,424</u>
	<u>\$ 4,884,140</u>

The MBDRC's capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 99,706	\$ 9,557	\$	\$ 109,263
Building and Improvements		86,147		86,147
Equipment	<u>739,779</u>	<u>71,991</u>		<u>811,770</u>
	<u>\$ 839,485</u>	<u>\$ 167,695</u>	<u>\$</u>	<u>\$ 1,007,180</u>
Accumulated Depreciation for:				
Land Improvements	\$ (10,675)	\$ (6,647)	\$	\$ (17,322)
Equipment	<u>(678,626)</u>	<u>(33,699)</u>		<u>(712,325)</u>
	<u>\$ (689,301)</u>	<u>\$ (40,346)</u>	<u>\$</u>	<u>\$ (729,647)</u>
Capital Assets (Net)	<u>\$ 150,184</u>	<u>\$ 127,349</u>	<u>\$</u>	<u>\$ 277,533</u>

The MBCCHC's capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 549,458	\$	\$	\$ 549,458
Building and Improvements	42,280,619			42,280,619
Furnishings and Equipment	<u>13,949,425</u>	<u>811,982</u>		<u>14,761,407</u>
	<u>\$ 56,779,502</u>	<u>\$ 811,982</u>	<u>\$</u>	<u>\$ 57,591,484</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated Depreciation for:				
Land Improvements	\$ (280,756)	\$ (27,473)	\$	\$ (308,229)
Building and Improvements	(11,010,578)	(1,057,015)		(12,067,593)
Furnishings and Equipment	<u>(12,185,568)</u>	<u>(607,815)</u>		<u>(12,793,383)</u>
	<u>\$ (23,476,902)</u>	<u>\$ (1,692,303)</u>	<u>\$</u>	<u>\$ (25,169,205)</u>
Capital Assets (Net)	<u>\$ 33,302,600</u>	<u>\$ (880,321)</u>	<u>\$</u>	<u>\$ 32,422,279</u>

Note 10 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES / EXPENDITURES

Accounts payable and accrued expenses / expenditures consisted of the following at June 30, 2014:

	<u>General Fund</u>	<u>Convention Center Fund</u>	<u>Local Option Tourism Fee Fund</u>	<u>Capital Improvements Fund</u>
Trade Accounts Payable	\$ 1,835,372	\$ 138,978	\$ 4,877,174	\$ 1,871,377
Accrued Salaries and Wages	1,523,818	71,880		
Compensated Absences				
Accrued Interest Payable				
Retainage Payable				784,864
	<u>\$ 3,359,190</u>	<u>\$ 210,858</u>	<u>\$ 4,877,174</u>	<u>\$ 2,656,241</u>

	<u>Water and Sewer Fund</u>	<u>Baseball Stadium Fund</u>	<u>Municipal Golf Course Fund</u>	<u>Solid Waste Management Fund</u>
Trade Accounts Payable	\$ 1,999,836	\$ 12,150	\$ 52,941	\$ 171,144
Accrued Salaries and Wages	88,526		20,944	46,824
Compensated Absences	127,555		22,433	71,443
Accrued Interest Payable				
Retainage Payable	40,217			
	<u>\$ 2,256,134</u>	<u>\$ 12,150</u>	<u>\$ 96,318</u>	<u>\$ 289,411</u>

	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Trade Accounts Payable	\$ 12,703,666	\$ 23,662,638
Accrued Salaries and Wages	47,099	1,799,091
Compensated Absences	25,611	247,042
Accrued Interest Payable	100,794	100,794
Retainage Payable	825,081	825,081
	<u>\$ 12,877,170</u>	<u>\$ 26,634,646</u>

Reconciliation to the Government-Wide
Statement of Net Position:
 Accrued Interest Payable

5,061,037
\$ 31,695,683

Note 11 - DEFERRED INFLOWS OF RESOURCES

At June 30, 2014, deferred inflows of resources consists of unavailable revenue and was comprised of the following:

	<u>General Fund</u>	<u>Convention Center Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Property Taxes	\$ 851,158	\$	\$ 58,521	\$ 909,679
Ambulance Fees	877,126			877,126
Lease Revenues		24,630,600		24,630,600
Other		<u>63,332</u>	<u>26,852</u>	<u>90,184</u>
	<u>\$ 1,728,284</u>	<u>\$ 24,693,932</u>	<u>\$ 85,373</u>	<u>\$ 26,507,589</u>

Note 12 - LONG-TERM LIABILITIES

A. Governmental Activities

At June 30, 2014, long-term debt of the City's governmental activities was as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Amount</u>
General Obligation Bonds:				
Series 2006A	\$ 6,950,000	4.00 - 5.00%	03/01/31	\$ 5,750,000
Series 2006B	2,730,000	4.00 - 5.00	03/01/31	2,260,000
Series 2006C	2,500,000	4.00 - 6.00	03/01/26	1,755,000
Series 2008A	12,300,000	4.50 - 5.13	03/01/33	8,875,000
Series 2009A	625,000	3.41	03/01/17	265,000
Refunding Series 2011A	2,800,000	2.00 - 3.00	03/01/17	1,030,000
Refunding Series 2011B	15,800,000	3.00 - 5.00	03/01/28	14,640,000
Series 2012A	4,030,000	1.50 - 2.38	03/01/32	4,030,000
Series 2012B	7,560,000	2.00 - 3.50	03/01/32	<u>7,560,000</u>
				<u>\$ 46,165,000</u>
Certificates of Participation:				
Refunding Series 2010	9,820,000	2.50 - 4.00	07/01/17	<u>\$ 6,215,000</u>
Tax Increment Revenue Bonds:				
Series 2006A	30,795,000	5.25 - 5.30	10/01/35	\$ 28,285,000
Series 2006B	9,822,603	7.50	10/01/31	9,822,603
Series 2009	10,065,000	3.00 - 5.00	03/01/34	9,465,000
Series 2010	8,850,000	3.70	10/01/25	<u>7,450,000</u>
				<u>\$ 55,022,603</u>
Storm Water Revenue Bonds:				
Series 2004	10,499,052	2.25	05/01/27	\$ 7,493,371
Series 2010	2,773,380	1.67	02/01/30	2,251,866
Series 2014	11,942,107	2.00	02/01/36	<u>0</u>
				<u>\$ 9,745,237</u>

	<u>Original</u> <u>Issue Amount</u>	<u>Interest Rates</u>	<u>Final</u> <u>Maturity Date</u>	<u>Amount</u>
Hospitality Fee Revenue Bonds:				
Refunding Series 2014A	\$ 17,400,000	1.05 - 5.90%	06/01/39	\$ 17,400,000
Refunding Series 2014B	44,515,000	2.00 - 5.00	06/01/36	<u>44,515,000</u>
				<u>\$ 61,915,000</u>
Capital Lease Obligations:				
2007	3,712,713	4.15	08/01/18	\$ 2,124,075
2010	685,000	3.19	10/01/14	145,536
2011	687,758	3.48	07/15/17	474,344
2012	225,111	3.83	07/15/15	114,271
2013	290,000	1.28	07/02/18	290,000
2014	3,636,423	2.68	08/01/22	<u>3,636,423</u>
				<u>\$ 6,784,649</u>

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds are to be repaid with property tax revenues. Annual debt service requirements to maturity for the general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 2,470,000	\$ 1,874,109	\$ 4,344,109
2016	2,095,000	1,787,567	3,882,567
2017	2,230,000	1,701,323	3,931,323
2018	2,020,000	1,609,035	3,629,035
2019	2,550,000	1,518,160	4,068,160
2020 - 2024	14,020,000	5,918,489	19,938,489
2025 - 2029	14,280,000	2,954,922	17,234,922
2030 - 2033	<u>6,500,000</u>	<u>593,299</u>	<u>7,093,299</u>
	<u>\$ 46,165,000</u>	<u>\$ 17,956,904</u>	<u>\$ 64,121,904</u>

Certificates of Participation

Certificates of participation are not direct obligations of the City, but are special financing arrangements utilized to fund the expansion of the convention center. The certificates of participation are to be repaid by the Public Facilities Corporation Fund with lease payments received from the City. See Note 17 for additional information. Annual debt service requirements to maturity for the certificates of participation are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 1,480,000	\$ 180,250	\$ 1,660,250
2016	1,530,000	131,525	1,661,525
2017	1,580,000	88,700	1,668,700
2018	<u>1,625,000</u>	<u>32,500</u>	<u>1,657,500</u>
	<u>\$ 6,215,000</u>	<u>\$ 432,975</u>	<u>\$ 6,647,975</u>

Tax Increment Revenue Bonds

Tax increment revenue bonds were issued to provide funds to finance the costs of certain capital improvements within the City's designated redevelopment areas. The tax increment revenue bonds are to be repaid by the property taxes generated in association with increased assessed values of property within the redevelopment areas. Annual debt service requirements to maturity for the tax increment revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 1,525,000	\$ 2,902,570	\$ 4,427,570
2016	1,595,000	2,834,432	4,429,432
2017	1,665,000	2,761,398	4,426,398
2018	1,740,000	2,685,123	4,425,123
2019	1,825,000	2,605,184	4,430,184
2020 - 2024	10,420,000	11,686,995	22,106,995
2025 - 2029	10,620,000	9,142,354	19,762,354
2030 - 2034	21,547,603	4,962,967	26,510,570
2035 - 2036	<u>4,085,000</u>	<u>219,287</u>	<u>4,304,287</u>
	<u>\$ 55,022,603</u>	<u>\$ 39,800,310</u>	<u>\$ 94,822,913</u>

Storm Water Revenue Bonds

Storm water revenue bonds pledge income derived from acquired or constructed assets to pay debt service. The storm water revenue bonds were issued to finance drainage improvement projects. Annual debt service requirements to maturity for the storm water revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 629,185	\$ 200,664	\$ 829,849
2016	642,392	187,457	829,849
2017	655,921	173,928	829,849
2018	669,782	160,067	829,849
2019	683,982	145,867	829,849
2020 - 2024	3,645,404	503,838	4,149,242
2025 - 2029	2,697,135	119,257	2,816,392
2030	<u>121,436</u>	<u>1,131</u>	<u>122,567</u>
	<u>\$ 9,745,237</u>	<u>\$ 1,492,209</u>	<u>\$ 11,237,446</u>

Proceeds of the storm water revenue bonds, series 2014 are received when eligible project costs are incurred. Accordingly, an additional \$11,942,107 of proceeds will be received by the City.

Hospitality Fee Revenue Bonds

Hospitality fee revenue bonds pledge hospitality fee collections to pay debt service. The hospitality fee revenue bonds were issued to provide funds to extinguish the MBCCHC's Series 2001A revenue bonds and to construct an indoor sports complex. Annual debt service requirements to maturity for the hospitality fee revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 1,145,000	\$ 2,912,187	\$ 4,057,187
2016	1,160,000	2,897,267	4,057,267
2017	1,185,000	2,876,409	4,061,409
2018	1,210,000	2,850,692	4,060,692
2019	1,245,000	2,816,894	4,061,894
2020 - 2024	12,335,000	12,788,445	25,123,445
2025 - 2029	14,080,000	9,728,910	23,808,910
2030 - 2034	17,950,000	5,863,632	23,813,632
2035 - 2039	<u>11,605,000</u>	<u>1,409,982</u>	<u>13,014,982</u>
	<u>\$ 61,915,000</u>	<u>\$ 44,144,418</u>	<u>\$ 106,059,418</u>

Capital Lease Obligations

Capital leases were incurred in conjunction with the purchase of equipment. At June 30, 2014, the gross amount of equipment recorded under capital leases totaled \$9,237,005. The capital leases are to be repaid by property tax revenues and an internal service fund. The minimum future lease payments due under the capital leases as of June 30, 2014 are as follows:

Year Ending June 30, 2015	\$ 879,064
2016	728,886
2017	1,147,696
2018	1,147,695
2019	1,018,632
2020 - 2023	<u>2,786,461</u>
Total Minimum Lease Payments	\$ 7,708,434
Amount Representing Interest	<u>(923,785)</u>
Present Value of Minimum Lease Payments	<u>\$ 6,784,649</u>

B. Business-Type Activities

Long-term debt of the City's business-type activities consisted of the following at June 30, 2014:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Amount</u>
Revenue Bonds:				
Waterworks and Sewer System:				
Series 2007	\$ 11,710,000	4.00 - 5.00%	03/01/28	\$ 9,800,000
Series 2011	8,900,000	2.00 - 4.13	03/01/32	<u>8,555,000</u>
				<u>\$ 18,355,000</u>
Certificates of Participation:				
Series 1998	10,295,000	3.65 - 5.00	07/01/18	<u>\$ 3,505,000</u>

Revenue Bonds

Revenue bonds pledge income derived from acquired or constructed assets to pay debt service. The revenue bonds were issued to finance water and sewer expansion and construction projects. Annual debt service requirements to maturity for the revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 875,000	\$ 749,500	\$ 1,624,500
2016	905,000	718,000	1,623,000
2017	940,000	685,400	1,625,400
2018	975,000	647,800	1,622,800
2019	1,020,000	610,125	1,630,125
2020 - 2024	5,730,000	2,397,425	8,127,425
2025 - 2029	6,055,000	1,104,331	7,159,331
2030 - 2032	<u>1,855,000</u>	<u>155,100</u>	<u>2,010,100</u>
	<u>\$ 18,355,000</u>	<u>\$ 7,067,681</u>	<u>\$ 25,422,681</u>

Certificates of Participation

Certificates of participation are not direct obligations of the City, but are part of a special financing arrangement utilized to fund the construction of a baseball stadium facility. The certificates of participation are to be repaid with hospitality fees. See Note 17 for additional information. Annual debt service requirements to maturity for the certificates of participation are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 635,000	\$ 159,375	\$ 794,375
2016	665,000	126,875	791,875
2017	700,000	92,750	792,750
2018	735,000	56,875	791,875
2019	<u>770,000</u>	<u>19,250</u>	<u>789,250</u>
	<u>\$ 3,505,000</u>	<u>\$ 455,125</u>	<u>\$ 3,960,125</u>

C. MBCCHC

Long-term debt outstanding at June 30, 2014 in the MBCCHC was as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Amount</u>
Revenue Bonds: Series 2001B	\$ 23,500,000	4.00 - 5.25%	04/01/36	<u>\$ 19,285,000</u>
Notes Payable:				
Operator Loan	1,000,000	0.00	09/27/15	\$ 400,000
Key Money Loan	500,000	0.00	09/27/15	<u>100,000</u>
				<u>\$ 500,000</u>

Revenue Bonds

The revenue bonds are to be repaid from revenues derived from the operation of the convention center hotel. The revenue bonds are secured by a first mortgage on the convention center hotel and have a limited guarantee provided by the City, subject to annual appropriation, to replenish amounts withdrawn from the debt service reserve accounts. Annual debt service requirements to maturity for the revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 490,000	\$ 1,005,866	\$ 1,495,866
2016	515,000	981,856	1,496,856
2017	540,000	956,106	1,496,106
2018	570,000	929,106	1,499,106
2019	595,000	899,894	1,494,894
2020 - 2024	3,485,000	4,002,600	7,487,600
2025 - 2029	4,505,000	2,987,250	7,492,250
2030 - 2034	5,810,000	1,675,013	7,485,013
2035 - 2036	2,775,000	220,500	2,995,500
	<u>\$ 19,285,000</u>	<u>\$ 13,658,191</u>	<u>\$ 32,943,191</u>

Notes Payable

The notes payable were issued to fund costs associated with a change to a new management company and hotel brand. The loans are secured by a second mortgage on the convention center hotel. Annual debt service requirements to maturity for the notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 250,000	\$	\$ 250,000
2016	<u>250,000</u>	<u></u>	<u>250,000</u>
	<u>\$ 500,000</u>	<u>\$</u>	<u>\$ 500,000</u>

D. Changes in Long-Term Liabilities

The City's long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 48,910,000	\$	\$ 2,745,000	\$ 46,165,000	\$ 2,470,000
Certificates of Participation	10,090,000		3,875,000	6,215,000	1,480,000
Tax Increment Revenue Bonds	56,487,603		1,465,000	55,022,603	1,525,000
Storm Water Revenue Bonds	10,361,530		616,293	9,745,237	629,185
Hospitality Fee Revenue Bonds	47,905,000	61,915,000	47,905,000	61,915,000	1,145,000
Unamortized Bond Discount	(903,685)		(781,324)	(122,361)	
Unamortized Bond Premium	<u>2,230,263</u>	<u>2,642,129</u>	<u>216,925</u>	<u>4,655,467</u>	
	\$ 175,080,711	\$ 64,557,129	\$ 56,041,894	\$ 183,595,946	\$ 7,249,185
Note Payable	1,847,500		1,847,500		
Capital Lease Obligations	3,537,465	3,926,423	679,239	6,784,649	761,701
Unreported Insurance Claims	3,020,653	7,406,454	7,899,207	2,527,900	457,417
Compensated Absences	<u>3,267,627</u>	<u>2,161,409</u>	<u>2,220,083</u>	<u>3,208,953</u>	<u>2,331,087</u>
	<u>\$ 186,753,956</u>	<u>\$ 78,051,415</u>	<u>\$ 68,687,923</u>	<u>\$ 196,117,448</u>	<u>\$ 10,799,390</u>

Reconciliation to the Government-Wide Statement of Net Position:

Compensated Absences Included in Accounts Payable and Accrued Expenses	<u>(25,611)</u>	<u>(25,611)</u>
	<u>\$ 196,091,837</u>	<u>\$ 10,773,779</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 19,205,000	\$	\$ 850,000	\$ 18,355,000	\$ 875,000
Certificates of Participation	4,110,000		605,000	3,505,000	635,000
Unamortized Bond Discount	(25,330)		(5,066)	(20,264)	
Unamortized Bond Premium	<u>87,326</u>		<u>4,876</u>	<u>82,450</u>	
	\$ 23,376,996	\$	\$ 1,454,810	\$ 21,922,186	\$ 1,510,000
Compensated Absences	<u>304,404</u>	<u>202,107</u>	<u>210,969</u>	<u>295,542</u>	<u>221,431</u>
	<u>\$ 23,681,400</u>	<u>\$ 202,107</u>	<u>\$ 1,665,779</u>	<u>\$ 22,217,728</u>	<u>\$ 1,731,431</u>

Reconciliation to the Government-Wide Statement of Net Position:

Compensated Absences Included in Accounts Payable and Accrued Expenses	(221,431)	(221,431)
Bonds Payable Included in Liabilities Payable From Restricted Assets	<u>(1,510,000)</u>	<u>(1,510,000)</u>
	<u>\$ 20,486,297</u>	<u>\$</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, internal service funds' compensated absences of \$30,388, capital lease obligations of \$6,349,113 and unreported insurance claims of \$2,527,900 are included in the above amounts.

For governmental activities, compensated absences are generally liquidated by the General Fund, Convention Center Fund, Victims Advocate Fund and Storm Water Fund.

The MBDRC's long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 21,416</u>	<u>\$ 9,543</u>	<u>\$ 8,766</u>	<u>\$ 22,193</u>	<u>\$ 9,204</u>

The MBCCHC's long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable:					
Revenue Bonds	\$ 19,755,000	\$	\$ 470,000	\$ 19,285,000	\$ 490,000
Unamortized Bond Discount	<u>(354,501)</u>		<u>(15,583)</u>	<u>(338,918)</u>	
	\$ 19,400,499	\$	\$ 454,417	\$ 18,946,082	\$ 490,000
Notes Payable	<u>750,000</u>		<u>250,000</u>	<u>500,000</u>	<u>250,000</u>
	<u>\$ 20,150,499</u>	<u>\$</u>	<u>\$ 704,417</u>	<u>\$ 19,446,082</u>	<u>\$ 740,000</u>

Reconciliation to the Government-Wide Statement of Net Position:

Bonds Payable Included in Liabilities Payable From Restricted Assets	(490,000)	(490,000)
	<u>\$ 18,956,082</u>	<u>\$ 250,000</u>

E. Debt Defeasance

On March 4, 2014, the City issued \$17,400,000 of Refunding Hospitality Fee Revenue Bonds, Series 2014A (2014A bonds), with interest rates ranging from 1.05% to 5.90%, and \$44,515,000 of Refunding Hospitality Fee Revenue Bonds, Series 2014B (2014B bonds), with interest rates ranging from 2.00% to 5.00%. The City issued a portion of the 2014A bonds and the 2014B bonds to advance refund \$2,460,000 of the outstanding Certificates of Participation, Series 2002 (2002 bonds), with interest rates ranging from 4.00% to 4.75%, \$44,025,000 of the outstanding Hospitality Fee Revenue Bonds, Series 2004A (2004A bonds), with interest rates ranging from 4.38% to 5.38%, and \$3,880,000 of the outstanding Hospitality Fee Revenue Bonds, Series 2004B (2004B bonds), with interest rates ranging from 5.50% to 5.75%. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in irrevocable trusts to provide for all future debt service on the 2002 bonds, 2004A bonds and 2004B bonds. As a result, the 2002 bonds, 2004A bonds and 2004B bonds are considered defeased and the City has removed the liabilities from its accounts. The advance refundings reduced the City's total debt service requirements by \$5,193,988. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$3,501,927. At June 30, 2014, the unmatured and outstanding principal balance on the defeased 2002 bonds, 2004A bonds and 2004B bonds is \$0.

Note 13 - OPERATING LEASES

The City is the lessor of land under lease arrangements classified as operating leases. The leases expire in various years through the year 2020. At June 30, 2014, the cost and carrying amount of the land totals \$100,000. Minimum future rentals to be received on the non-cancelable leases as of June 30, 2014 are shown below.

Year Ending June 30, 2015	\$ 240,000
2016	240,000
2017	240,000
2018	240,000
2019	240,000
2020	<u>120,000</u>
	<u>\$ 1,320,000</u>

Minimum future rentals do not include contingent rentals that may be received under the land leases. Contingent rentals during the year ended June 30, 2014 amounted to \$2,356,327. In accordance with an agreement entered into on May 5, 2004, the City is required to remit 75% of the proceeds from these leases to Horry County, South Carolina.

The City is also the lessor of a baseball stadium facility under a lease agreement, which is classified as an operating lease. The activity of the lease is accounted for in the Baseball Stadium Fund. The lease expires in 2018 and requires annual rental payments equal to 4.0% of adjusted gross revenues in excess of \$3,250,000 on December 31 of each year. During the year ended June 30, 2014, rental income from this lease amounted to \$29,846.

The following is an analysis of the property being leased by the Baseball Stadium Fund at June 30, 2014:

Land	\$ 5,600,000
Construction-in-Progress	290,407
Land Improvements	1,151,742
Buildings	7,895,128
Equipment	977,241
Accumulated Depreciation	<u>(5,869,008)</u>
	<u>\$ 10,045,510</u>

Note 14 - RETIREMENT PLANS

A. Plan Description

City employees participate in either the South Carolina Police Officers Retirement System (PORS) or the South Carolina Retirement System (SCRS) depending on their duties. Both plans are administered by the South Carolina Retirement Systems and are classified as cost-sharing multiple-employer defined benefit public retirement systems. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefit provisions are established under authority of Title 9 of the South Carolina Code of Laws. The South Carolina Retirement Systems issue a Comprehensive Annual Financial Report which discloses detailed information regarding benefit provisions and actuarial information. This report is available to the public and may be obtained by writing to the South Carolina Retirement Systems, Post Office Box 11960, Columbia, South Carolina 29211.

B. Funding Policy

Members of the PORS and SCRS are required to contribute 7.84% and 7.50%, respectively, of their covered wages. The City is required to contribute at actuarially determined rates, currently 12.84% of PORS member wages and 10.60% of SCRS member wages. The contribution requirements of plan members and the City are established and may be amended by the South Carolina Retirement Systems. The City's contributions to the PORS for the years ended June 30, 2014, 2013 and 2012 were \$2,365,279, \$2,270,986 and \$2,099,048, respectively. The City's contributions to the SCRS for the years ended June 30, 2014, 2013 and 2012 were \$2,141,290, \$2,099,399 and \$1,813,825, respectively. The contributions made by the City to the PORS and SCRS, as shown above, were equal to the required contributions for each year.

Note 15 - POSTEMPLOYMENT HEALTH CARE PLAN

The City retiree health care plan is a defined contribution pension plan administered by Vested Health. The plan provides eligible retirees with a health reimbursement account which can be used to fund medical and dental costs. An eligible retiree has completed at least twenty years of service as an employee of the City and is receiving benefits from the South Carolina Retirement System. Benefit provisions are established and may be amended by City Council.

The City is required to annually contribute an amount which will provide each employee with a \$100,000 health reimbursement account after twenty years of service as an employee of the City. Plan members are not required to contribute to the plan. The City's required contribution for the year ended June 30, 2014 was \$3,132,186. During the year ended June 30, 2014, the City contributed \$894,825 to the plan. The contribution requirements of plan members and the City are established and may be amended by City Council.

Note 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Self Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss for worker's compensation, general liability and property damage. Under this program, the Self Insurance Fund provides coverage for up to a maximum of \$400,000 for each worker's compensation claim, \$250,000 for each general liability claim and \$25,000 for each property damage claim. The City purchases commercial insurance for claims in excess of coverage provided by the Self Insurance Fund. Settled claims have not exceeded the City's commercial coverage in any of the past three years.

The Self Insurance Fund allocates the costs of providing claims servicing and claims payment to other funds by charging them a "premium" based on estimates of the amounts needed to pay prior and current claims. At June 30, 2014, the Self Insurance Fund has a claim liability of \$2,070,483. The liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A summary of changes in the Self Insurance Fund's claims liability during the years ended June 30, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Beginning Balance	\$ 2,533,007	\$ 1,978,361
Claims Incurred and Change in Estimate	778,920	1,893,951
Claim Payments	<u>(1,241,444)</u>	<u>(1,339,305)</u>
Ending Balance	<u>\$ 2,070,483</u>	<u>\$ 2,533,007</u>

The City established the Health Insurance Fund, an internal service fund, to account for and finance employee medical claims. The Health Insurance Fund provides coverage for claims up to \$100,000 per employee per year. The City purchases commercial insurance for claims in excess of \$100,000. Settled claims have not exceeded the City's commercial coverage in any of the past three years.

The Health Insurance Fund allocates the costs of providing claims servicing and claims payment to other funds by charging them a "premium" based on estimates of the amounts needed to pay prior and current claims. At June 30, 2014, the Health Insurance Fund has a claim liability of \$457,417, which is based on the requirements of Governmental Accounting Standards Board Statement No. 10. A summary of changes in the Health Insurance Fund's claims liability during the years ended June 30, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Beginning Balance	\$ 487,646	\$ 564,303
Claims Incurred and Change in Estimate	6,627,534	6,532,423
Claim Payments	<u>(6,657,763)</u>	<u>(6,609,080)</u>
Ending Balance	<u>\$ 457,417</u>	<u>\$ 487,646</u>

The City is also self-insured for unemployment benefits. Claims are administered by the South Carolina Employment Security Commission and are then reimbursed by the City. No liability has been accrued at year-end for potential claims, as they are expected to be minimal.

Note 17 - COMMITMENTS

On September 15, 1992, the City entered into a facilities lease agreement with the Myrtle Beach Public Facilities Corporation (the Corporation). The Corporation completed the construction of the new addition to the convention center and the improvements to the facilities in existence. The Corporation funded the costs through the issuance, on October 7, 1992, of certificates of participation in the aggregate amount of \$20,925,000. Under the facilities lease agreement, the Corporation is leasing the convention center facilities back to the City. The Corporation utilizes the lease receipts to fund the debt service for the certificates of participation.

The facilities lease agreement was subsequently amended on April 1, 2010 as a result of the advance refunding of the certificates of participation, series 1992. A schedule of the remaining lease payments provided for in the amended facilities lease agreement, as of June 30, 2014, follows. The amounts provided for each year are sufficient to fund the required debt service on the certificates of participation.

Year Ending June 30, 2015	\$ 1,680,650
2016	1,692,400
2017	<u>1,690,000</u>
	<u>\$ 5,063,050</u>

The City shall pay the rent shown above in installments on July 1st and January 1st of each fiscal year. In the event that the rent payments, as shown, are not appropriated by the City in its budget, the City may terminate the lease at the end of the period through which lease rentals are paid. The City must give written notice of the non-appropriation not later than the first day of the budget year which includes the non-appropriation. Such non-appropriation by the City allows the Corporation to liquidate its interest in the convention center facilities, or to re-lease the convention center facilities. The City is granted the option to terminate the facilities lease agreement and to purchase the Corporation's interest in the facilities on any date, upon payment of the applicable purchase option price.

A portion of the City's future hospitality fee collections have been pledged for the repayment of the certificates of participation, series 1998. The pledged hospitality fees are to be transferred annually from the Hospitality Fee Fund to the Baseball Stadium Fund for the debt service payments on the certificates of participation. Hospitality fee collections have been pledged through the fiscal year ending June 30, 2018 as follows:

Year Ending June 30, 2015	\$ 565,950
2016	567,175
2017	567,175
2018	<u>565,950</u>
	<u>\$ 2,266,250</u>

In accordance with a water and wastewater service agreement dated June 30, 2006, the City is purchasing wholesale water and wastewater treatment service from Grand Strand Water and Sewer Authority. The agreement requires the City to pay a monthly volumetric service charge. During the year ended June 30, 2014, water and wastewater treatment service charges totaled \$13,634,341.

Prior to June 30, 2014, the City entered into various construction contracts. The approximate costs of the contracts were \$18,391,000 of which roughly \$10,068,000 has been incurred as of year-end.

Note 18 - CONTINGENCIES

The City is a defendant in various lawsuits. The outcome of the lawsuits is not presently determinable; however, the City does not believe the settlement of these matters will have a material effect on the financial condition of the City.

Note 19 - ADOPTION OF GASB STATEMENT NO. 65

During the year ended June 30, 2014, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 requires all debt issuance costs, except prepaid insurance costs, to be recognized as an expense when incurred. As a result, beginning net position has been decreased in order to remove all debt issuance costs other than prepaid bond insurance as follows:

Governmental Activities	\$ 2,846,462
Business-Type Activities	340,483
Water and Sewer Fund	268,280
Baseball Stadium Fund	72,203

Had the provisions of GASB 65 been adopted previously, the effect on previously reported 2013 amounts would be as follows:

	2013 as Previously Reported	Restatement	2013 Restated
Water and Sewer Fund:			
Deferred Bond Issuance Costs (Net)	\$ 337,760	\$ (337,760)	\$ 0
Bond Insurance (Net)	0	69,480	69,480
Total Net Position	107,470,635	(268,280)	107,202,355
Change in Net Position	(102,072)	16,135	(85,937)
Baseball Stadium Fund:			
Deferred Bond Issuance Costs (Net)	91,503	(91,503)	0
Bond Insurance (Net)	0	19,300	19,300
Total Net Position	7,290,110	(72,203)	7,217,907
Change in Net Position	298,999	14,441	313,440
Business-Type Activities:			
Deferred Bond Issuance Costs (Net)	429,263	(429,263)	0
Bond Insurance (Net)	0	88,780	88,780
Total Net Position	130,264,071	(340,483)	129,923,588
Change in Net Position	(284,495)	30,576	(253,919)
Governmental Activities:			
Deferred Bond Issuance Costs (Net)	3,540,998	(3,540,998)	0
Bond Insurance (Net)	0	694,536	694,536
Total Net Position	114,601,084	(2,846,462)	111,754,622
Change in Net Position	2,257,227	(4,077)	2,253,150

In accordance with GASB 65, the City has also restated its long term liabilities to reflect that deferred amounts on advance refundings are now reported as deferred outflows of resources in the government-wide statement of net position. The effect of this change, as of July 1, 2013, was to increase long term liabilities and deferred outflows of resources by \$1,015,699.

APPENDIX B

**FINANCIAL STATEMENTS FOR THE HOTEL CORPORATION
FOR FISCAL YEAR ENDED JUNE 30, 2014**

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**MYRTLE BEACH CONVENTION CENTER
HOTEL CORPORATION**

COMPONENT UNIT FINANCIAL REPORT

Year Ended June 30, 2014

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Myrtle Beach Convention Center Hotel Corporation
Myrtle Beach, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Myrtle Beach Convention Center Hotel Corporation, a component unit of the City of Myrtle Beach, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Smith Sapp Bookhout Crumpler & Calliham
A Professional Association of Certified Public Accountants & Consultants

South Carolina Association of Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Myrtle Beach Convention Center Hotel Corporation as of June 30, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Comparative Information

We have previously audited the Myrtle Beach Convention Center Hotel Corporation's 2013 basic financial statements, and our report dated September 18, 2013, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014 on our consideration of the Myrtle Beach Convention Center Hotel Corporation'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 that 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* in considering the Myrtle Beach Convention Center Hotel Corporation's internal control over financial reporting and compliance.



SMITH SAPP BOOKHOUT CRUMPLER & CALLIHAM
Professional Association of Certified Public Accountants

Myrtle Beach, South Carolina
September 23, 2014

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Our discussion and analysis of the Myrtle Beach Convention Center Hotel Corporation's (the Corporation) financial performance provides an overview of the Corporation's financial activities for the year ended June 30, 2014. Please read it in conjunction with the Corporation's financial statements, which begin on page 7.

Financial Highlights

- Net capital assets decreased \$880,321, or 2.6%, in 2014.
- Total assets decreased \$2,000,120 in 2014.
- Total liabilities increased \$160,609, or 0.4%, in 2014.
- Total net position decreased \$2,160,729 in 2014.
- Revenues increased by 6.1% (\$15,662,365 in 2014 compared to \$14,763,965 in 2013).
- Expenses increased by 1.2% (\$17,284,977 in 2014 compared to \$17,075,315 in 2013).

Basic Financial Statements

The Corporation's basic financial statements begin on page 7 and consist of the following statements:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Corporation's operations are considered a business-type activity and are accounted for in a single enterprise fund. A business-type activity charges a fee to customers to help it cover all or most of the cost of certain services it provides.

One of the most important questions asked about the Corporation's finances is, "Is the Corporation better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Corporation and about its activities in a way that helps answer this question. These two statements report the Corporation's net position and changes in it. You can think of the Corporation's net position, the difference between assets and liabilities, as one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the Corporation.

Condensed Financial Information

Condensed statements of net position at June 30, 2014 and 2013 are shown below.

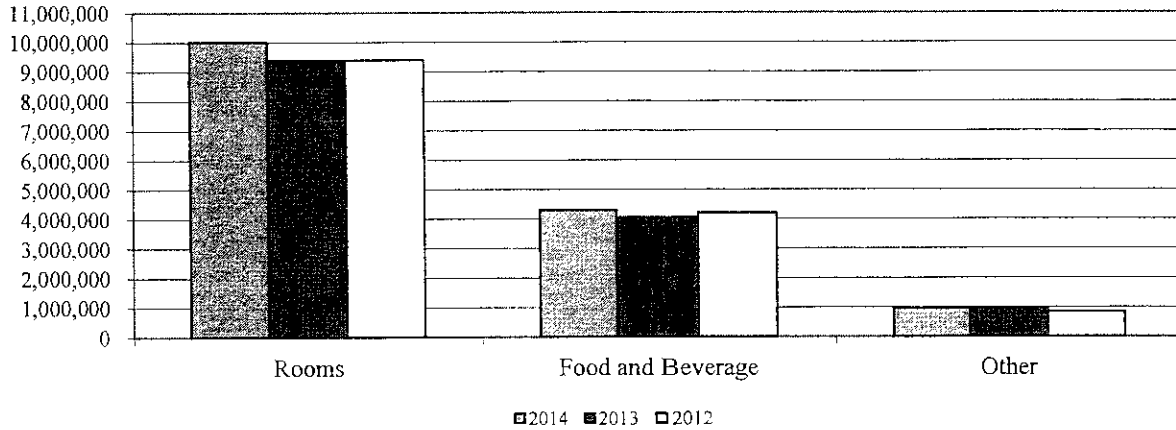
	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 8,024,449	\$ 9,144,248
Capital Assets (Net)	<u>32,422,279</u>	<u>33,302,600</u>
Total Assets	\$ <u>40,446,728</u>	\$ <u>42,446,848</u>
Long-Term Liabilities	\$ 43,644,450	\$ 43,669,817
Other Liabilities	<u>2,221,998</u>	<u>2,036,022</u>
Total Liabilities	\$ <u>45,866,448</u>	\$ <u>45,705,839</u>
Net Position		
Net Investment in Capital Assets	\$ 13,476,197	\$ 13,902,101
Restricted for:		
Debt Service	2,368,086	3,276,534
Taxes and Insurance	424,735	401,857
Capital Replacements	273,680	377,027
Unrestricted	<u>(21,962,418)</u>	<u>(21,216,510)</u>
Total Net Position	\$ <u>(5,419,720)</u>	\$ <u>(3,258,991)</u>

At June 30, 2014, the largest portion of the Corporation's net position reflects its net investment in capital assets, which amounted to \$13,476,197. Restricted net position, which represents resources that are subject to external restrictions on how they may be used, amounted to \$3,066,501. The remaining net position balance in the amount of \$(21,962,418) is unrestricted net position. Overall, the Corporation's total net position decreased by \$2,160,729 during 2014.

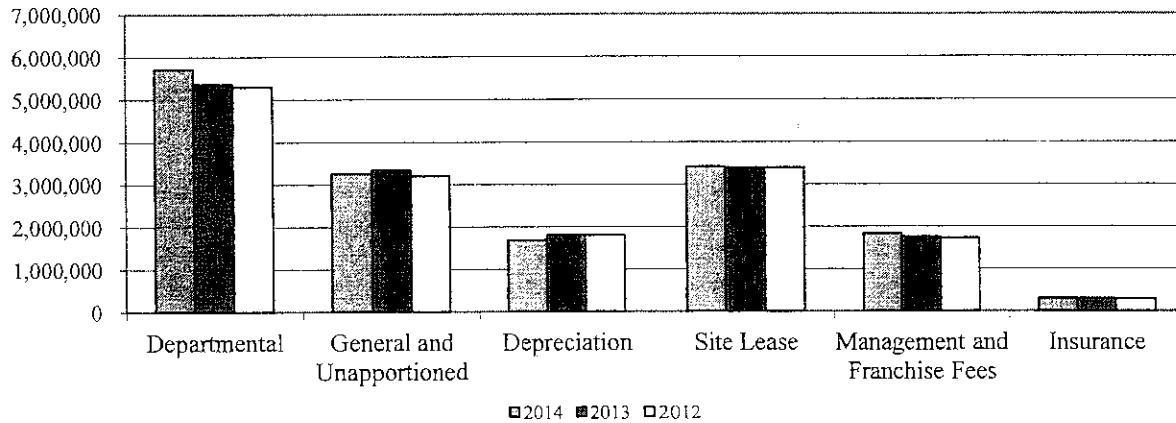
Condensed statements of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 are presented below.

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$ 15,305,492	\$ 14,400,716
Nonoperating Revenues	<u>356,873</u>	<u>363,249</u>
Total Revenues	\$ <u>15,662,365</u>	\$ <u>14,763,965</u>
Operating Expenses	\$ 16,231,800	\$ 15,976,978
Nonoperating Expenses	<u>1,053,177</u>	<u>1,098,337</u>
Total Expenses	\$ <u>17,284,977</u>	\$ <u>17,075,315</u>
Change in Net Position	\$ <u>(1,622,612)</u>	\$ <u>(2,311,350)</u>
Total Net Position - Beginning, as Previously Reported	\$ (3,258,991)	\$ (947,641)
Cumulative Effect of Adopting GASB Statement No. 65	<u>(538,117)</u>	<u> </u>
Total Net Position - Beginning, as Restated	\$ <u>(3,797,108)</u>	\$ <u>(947,641)</u>
Total Net Position - Ending	\$ <u>(5,419,720)</u>	\$ <u>(3,258,991)</u>

Operating Revenues



Operating Expenses



The Corporation's revenues increased by \$898,400 (\$15,662,365 in 2014 compared to \$14,763,965 during 2013) and expenses increased by \$209,662 (\$17,284,977 in 2014 compared to \$17,075,315 during 2013). The factors driving these results include:

- Occupied room nights increased by 4.3% (94,648 in 2014 compared to 90,708 in 2013).
- The yearly average room rate increased by 4.8% (\$106.41 in 2014 compared to \$101.52 in 2013).
- Food and beverage revenues increased \$259,546 (\$4,310,367 in 2014 compared to \$4,050,821 in 2013).
- Departmental expenses increased \$348,949 (\$5,716,443 in 2014 compared to \$5,367,494 in 2013).
- General and unapportioned expenses decreased \$81,336 (\$3,264,671 in 2014 compared to \$3,346,007 in 2013).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the Corporation had \$32,422,279 invested in capital assets. This amount represents a net decrease of \$880,321, or 2.6%, from last year. Capital assets were comprised of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land Improvements	\$ 549,458	\$ 549,458
Building	42,280,619	42,280,619
Furnishings and Equipment	14,761,407	13,949,425
Accumulated Depreciation	<u>(25,169,205)</u>	<u>(23,476,902)</u>
Capital Assets (Net)	<u>\$ 32,422,279</u>	<u>\$ 33,302,600</u>

More detailed information about the Corporation's capital assets is presented in Note 5 to the financial statements.

Debt

At year-end, the Corporation had \$19,785,000 in outstanding revenue bonds and notes payable compared to \$20,505,000 last year, a decrease of 3.5%. At June 30, 2014 and 2013, the Corporation's outstanding long term debt was as follows:

	<u>2014</u>	<u>2013</u>
Revenue Bonds:		
Series 2001B	\$ 19,285,000	\$ 19,755,000
Notes Payable:		
Operator Loan	400,000	600,000
Key Money Loan	<u>100,000</u>	<u>150,000</u>
	<u>\$ 19,785,000</u>	<u>\$ 20,505,000</u>

Note 7 to the financial statements contains more detailed information about the Corporation's long-term debt.

Contacting the Corporation's Financial Management

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Myrtle Beach, South Carolina's Finance Department at Post Office Box 2468 Myrtle Beach, South Carolina 29577 or phone (843) 918-1100.

BASIC FINANCIAL STATEMENTS

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

Page 1 of 2

**STATEMENT OF NET POSITION
June 30, 2014
With Comparative Amounts for June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,334,781	\$ 2,831,982
Receivables (Net)	565,170	596,829
Prepaid Expenses	422,100	460,672
Inventories	62,234	67,119
Total Current Assets	\$ <u>4,384,285</u>	\$ <u>3,956,602</u>
Noncurrent Assets		
Restricted Assets:		
Cash and Cash Equivalents	\$ 1,775,967	\$ 2,791,524
Investments	1,542,000	1,521,000
Capital Assets (Net)	32,422,279	33,302,600
Bond Insurance (Net)	322,197	875,122
Total Noncurrent Assets	\$ <u>36,062,443</u>	\$ <u>38,490,246</u>
Total Assets	\$ <u>40,446,728</u>	\$ <u>42,446,848</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 954,604	\$ 888,548
Advance Deposits	275,928	170,368
Notes Payable	250,000	250,000
Payable From Restricted Assets:		
Interest Payable	251,466	257,106
Revenue Bonds	490,000	470,000
Total Current Liabilities	\$ <u>2,221,998</u>	\$ <u>2,036,022</u>
Noncurrent Liabilities		
Due to City of Myrtle Beach	\$ 24,938,368	\$ 24,239,318
Notes Payable	250,000	500,000
Revenue Bonds (Net)	18,456,082	18,930,499
Total Noncurrent Liabilities	\$ <u>43,644,450</u>	\$ <u>43,669,817</u>
Total Liabilities	\$ <u>45,866,448</u>	\$ <u>45,705,839</u>

The accompanying notes are an integral part of the financial statements.

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

Page 2 of 2

STATEMENT OF NET POSITION
June 30, 2014
With Comparative Amounts for June 30, 2013

	<u>2014</u>	<u>2013</u>
NET POSITION		
Net Investment in Capital Assets	\$ 13,476,197	\$ 13,902,101
Restricted for:		
Debt Service	2,368,086	3,276,534
Taxes and Insurance	424,735	401,857
Capital Replacements	273,680	377,027
Unrestricted	<u>(21,962,418)</u>	<u>(21,216,510)</u>
Total Net Position	<u>\$ (5,419,720)</u>	<u>\$ (3,258,991)</u>

The accompanying notes are an integral part of the financial statements.

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

With Comparative Amounts for the Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Charges for Sales and Services:		
Rooms	\$ 10,017,069	\$ 9,384,576
Food and Beverage	4,310,367	4,050,821
Other	978,056	965,319
Total Operating Revenues	<u>\$ 15,305,492</u>	<u>\$ 14,400,716</u>
Operating Expenses		
Departmental Expenses:		
Rooms	\$ 3,150,705	\$ 2,932,655
Food and Beverage	2,419,315	2,294,189
Other	146,423	140,650
General and Unapportioned	3,264,671	3,346,007
Property and Liability Insurance	304,751	295,917
Management Fees	1,023,578	974,851
Franchise Fees	812,894	784,851
Site Lease	3,417,160	3,394,584
Depreciation	1,692,303	1,813,274
Total Operating Expenses	<u>\$ 16,231,800</u>	<u>\$ 15,976,978</u>
Operating Loss	<u>\$ (926,308)</u>	<u>\$ (1,576,262)</u>
Nonoperating Revenues (Expenses)		
Interest Earned	\$ 106,873	\$ 113,249
Debt Forgiveness Income	250,000	250,000
Interest Expense	(1,038,369)	(1,059,870)
Amortization of Bond Insurance Costs	(14,808)	(38,467)
Total Nonoperating Revenues (Expenses)	<u>\$ (696,304)</u>	<u>\$ (735,088)</u>
Change in Net Position	<u>\$ (1,622,612)</u>	<u>\$ (2,311,350)</u>
Total Net Position - Beginning, as Previously Reported	\$ (3,258,991)	\$ (947,641)
Cumulative Effect of Adopting GASB Statement No. 65	(538,117)	
Total Net Position - Beginning, as Restated	<u>\$ (3,797,108)</u>	<u>\$ (947,641)</u>
Total Net Position - Ending	<u>\$ (5,419,720)</u>	<u>\$ (3,258,991)</u>

The accompanying notes are an integral part of the financial statements.

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

Page 1 of 2

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

With Comparative Amounts for the Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Receipts From Customers	\$ 15,442,711	\$ 14,554,534
Payments to Suppliers	(10,737,327)	(9,452,138)
Payments to Employees	(2,993,607)	(3,076,763)
Net Cash and Cash Equivalents Provided by Operating Activities	\$ <u>1,711,777</u>	\$ <u>2,025,633</u>
Cash Flows From Capital and Related Financing Activities		
Principal Payments on Revenue Bonds	\$ (470,000)	\$ (450,000)
Interest Payments on Revenue Bonds	(1,028,426)	(1,049,576)
Purchases of Capital Assets	(811,982)	(493,015)
Net Cash and Cash Equivalents Used by Capital and Related Financing Activities	\$ <u>(2,310,408)</u>	\$ <u>(1,992,591)</u>
Cash Flows From Investing Activities		
Investment Purchases	\$ (3,041,251)	\$ (3,020,961)
Investment Maturities	3,020,251	2,994,932
Interest Received	106,873	113,247
Net Cash and Cash Equivalents Provided by Investing Activities	\$ <u>85,873</u>	\$ <u>87,218</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (512,758)	\$ 120,260
Cash and Cash Equivalents - Beginning	<u>5,623,506</u>	<u>5,503,246</u>
Cash and Cash Equivalents - Ending	\$ <u><u>5,110,748</u></u>	\$ <u><u>5,623,506</u></u>

Noncash Capital and Related Financing Activities

Amortization of Bond Insurance Costs	\$ 14,808	\$ 38,467
Amortization of Bond Discount	15,582	15,582
Notes Payable / Debt Forgiveness Income Adjustment	250,000	250,000

Reconciliation of Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents	\$ 3,334,781	\$ 2,831,982
Restricted Cash and Cash Equivalents	<u>1,775,967</u>	<u>2,791,524</u>
	\$ <u><u>5,110,748</u></u>	\$ <u><u>5,623,506</u></u>

The accompanying notes are an integral part of the financial statements.

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

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STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

With Comparative Amounts for the Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
<u>Reconciliation of Operating Loss to Net Cash and Cash Equivalents Provided by Operating Activities</u>		
Operating Loss	\$ (926,308)	\$ (1,576,262)
Adjustments to Reconcile Operating Loss to Net Cash and Cash Equivalents Provided by Operating Activities		
Depreciation	1,692,303	1,813,274
Decrease in Receivables (Net)	31,659	196,643
(Increase) Decrease in Prepaid Expenses	38,572	(44,096)
(Increase) Decrease in Inventories	4,885	(6,650)
Increase (Decrease) in Accounts Payable and Accrued Expenses	66,056	(131,089)
Increase (Decrease) in Advance Deposits	105,560	(42,825)
Increase in Due to City of Myrtle Beach	699,050	1,816,638
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 1,711,777</u>	<u>\$ 2,025,633</u>

The accompanying notes are an integral part of the financial statements.

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Myrtle Beach Convention Center Hotel Corporation (the Corporation) have been prepared in conformity with generally accepted accounting principles 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 Corporation applies all relevant GASB pronouncements.

The more significant accounting policies of the Corporation are described below.

A. Reporting Entity

The Corporation was organized as a non-profit corporation in accordance with the laws of the State of South Carolina on July 5, 2000. The Corporation was created to assist the City of Myrtle Beach, South Carolina (City) in the financing, acquisition, construction and operation of a convention center hotel. The Corporation is governed by a seven member Board of Directors. All members of the Corporation's Board of Directors are appointed by City Council.

The Corporation meets the criteria set forth in generally accepted accounting principles for inclusion as a component unit within the City of Myrtle Beach, South Carolina reporting entity based on the City's ability to significantly influence operations. The Corporation has no oversight responsibility for other component units.

B. Basis of Presentation

The Corporation's basic financial statements consist of the following statements: statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows. The Corporation's operations are considered a business-type activity and are accounted for in a single enterprise fund. A business-type activity charges a fee to customers to help it cover all or most of the cost of certain services it provides. Enterprise funds are used to account for operations that charge a fee to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover its costs, including capital costs.

C. Measurement Focus and Basis of Accounting

The Corporation's operations are reported using an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with the Corporation's activities are reported.

The Corporation utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. Cash Equivalents

The Corporation considers all short-term, highly liquid investments with original maturities of three months or less, including restricted amounts, to be cash equivalents.

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments

Investments are stated at fair value. Changes in the fair value of investments are included as a component of investment income. The Corporation uses quoted market prices to determine the fair value of investments.

F. Receivables

Receivables are presented in the financial statements net of allowances for doubtful accounts. Allowances for doubtful accounts are based upon historical trends and the periodic aging of receivables.

G. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

H. Inventories

Inventories are valued at cost, on a first-in, first-out basis.

I. Restricted Assets

Cash, cash equivalents and investments set aside for the repayment of the Corporation's revenue bonds and for other purposes are classified as restricted assets because they are maintained in separate accounts and their use is limited by applicable bond covenants. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

J. Capital Assets

Capital assets are defined by the Corporation as assets with an initial, individual cost of at least \$1,500. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. The costs of normal maintenance and repairs, which neither materially add to the value of an asset nor prolong its life, are charged to expense as incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	20 years
Building	40 years
Furnishings and Equipment	3 - 10 years

K. Compensated Absences

It is the Corporation's policy to permit employees to accumulate earned but unused vacation and sick pay. There is no liability for unpaid accumulated sick pay since the Corporation does not have to pay any amounts if an employee separates from service. Vacation pay is accrued when earned by the employees.

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Revenue Bond Discounts and Insurance

Revenue bond discounts are deferred and amortized over the life of the related bonds. Revenue bonds payable are reported net of the applicable discounts. Bond insurance is reported as a deferred charge and is amortized over the term of the related debt. At June 30, 2014, accumulated amortization of bond insurance amounted to \$193,803.

M. Net Position

Equity is classified as net position and is displayed in the following components:

Net Investment in Capital Assets - Consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Consists of net position with constraints placed on their use by (a) third parties such as creditors, grantors, contributors or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of restricted or net investment in capital assets.

N. Operating Revenues and Expenses

Operating revenues and expenses result from providing services and producing/delivering goods in connection with the Corporation's principal ongoing operations. The principal operating revenues of the Corporation are charges to customers for sales and services. The Corporation's operating expenses include the costs of sales and services, general and administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

O. Prior-Year Information

The basic financial statements include certain prior-year comparative information, but not all of the information required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's basic financial statements for the year ended June 30, 2013, from which the comparative information was derived.

Note 2 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2014, the carrying amount of the Corporation's deposits in financial institutions was \$850,224 and the financial institutions' balances totaled \$327,262. Of that balance, \$250,000 was covered by federal depository insurance and \$77,262 was uninsured and uncollateralized. At year-end, petty cash on hand totaled \$40,000.

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk.

B. Investments

Investments consisted of the following at June 30, 2014:

	<u>Maturities</u>	<u>Standard & Poor's Credit Rating</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Federal National Mortgage Assoc.	10/1/14	AA+	\$ 1,542,000	26.76%
Money Market Mutual Funds	N/A	AAA	<u>4,220,524</u>	<u>73.24</u>
			<u>\$ 5,762,524</u>	<u>100.00%</u>

The Corporation does not have a formal investment policy that (a) limits its investment choices based on investment credit ratings, (b) limits the amount it may invest in any one investment issuer or (c) limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 3 - RECEIVABLES (NET)

Receivables at June 30, 2014, including the applicable allowances for doubtful accounts, are as follows:

Trade Accounts	\$ 570,119
Allowance for Doubtful Accounts	<u>(4,949)</u>
	<u>\$ 565,170</u>

Note 4 - RESTRICTED ASSETS

Restricted cash, cash equivalents and investments consisted of the following at June 30, 2014:

Revenue Bond Accounts:	
Debt Service Account	\$ 563,339
Debt Service Reserve Account - October	514,213
Debt Service Reserve Account - April	1,542,000
Taxes and Insurance Fund	424,735
Capital Reserve Primary Account	<u>273,680</u>
	<u>\$ 3,317,967</u>

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5 - CAPITAL ASSETS (NET)

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 549,458	\$	\$	\$ 549,458
Building	42,280,619			42,280,619
Furnishings and Equipment	<u>13,949,425</u>	<u>811,982</u>		<u>14,761,407</u>
	<u>\$ 56,779,502</u>	<u>\$ 811,982</u>	<u>\$</u>	<u>\$ 57,591,484</u>
Accumulated Depreciation:				
Land Improvements	\$ (280,756)	\$ (27,473)	\$	\$ (308,229)
Building	(11,010,578)	(1,057,015)		(12,067,593)
Furnishings and Equipment	<u>(12,185,568)</u>	<u>(607,815)</u>		<u>(12,793,383)</u>
	<u>\$ (23,476,902)</u>	<u>\$ (1,692,303)</u>	<u>\$</u>	<u>\$ (25,169,205)</u>
Capital Assets (Net)	<u>\$ 33,302,600</u>	<u>\$ (880,321)</u>	<u>\$</u>	<u>\$ 32,422,279</u>

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2014:

Trade Accounts	\$ 704,391
Accrued Salaries and Wages	144,004
Compensated Absences	<u>106,209</u>
	<u>\$ 954,604</u>

Note 7 - LONG-TERM DEBT

Long-term debt outstanding at June 30, 2014 was as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Amount</u>
Revenue Bonds:				
Series 2001B	\$ 23,500,000	4.00 - 5.25%	04/01/36	\$ 19,285,000
Notes Payable:				
Operator Loan	1,000,000	0.00	09/27/15	400,000
Key Money Loan	500,000	0.00	09/27/15	<u>100,000</u>
				<u>\$ 19,785,000</u>

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7 - LONG-TERM DEBT (continued)

Revenue Bonds

The revenue bonds were issued through the South Carolina Jobs-Economic Development Authority (SCJEDA). Since SCJEDA assumes no responsibility for the repayment of the obligations, the revenue bonds are considered conduit debt of SCJEDA. Accordingly, the revenue bonds are not recorded as liabilities of SCJEDA, but are considered liabilities of the Corporation.

The revenue bonds are to be repaid from revenues derived from the operation of the convention center hotel. The revenue bonds are secured by a first mortgage on the convention center hotel and have a limited guarantee provided by the City of Myrtle Beach, South Carolina, subject to annual appropriation, to replenish amounts withdrawn from the debt service reserve accounts. Annual debt service requirements to maturity for the revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 490,000	\$ 1,005,866	\$ 1,495,866
2016	515,000	981,856	1,496,856
2017	540,000	956,106	1,496,106
2018	570,000	929,106	1,499,106
2019	595,000	899,894	1,494,894
2020 - 2024	3,485,000	4,002,600	7,487,600
2025 - 2029	4,505,000	2,987,250	7,492,250
2030 - 2034	5,810,000	1,675,013	7,485,013
2035 - 2036	<u>2,775,000</u>	<u>220,500</u>	<u>2,995,500</u>
	<u>\$ 19,285,000</u>	<u>\$ 13,658,191</u>	<u>\$ 32,943,191</u>

Notes Payable

The notes payable were issued in conjunction with a change to a new management company and hotel brand. The loans are secured by a second mortgage on the convention center hotel. Annual debt service requirements to maturity for the notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2015	\$ 250,000	\$	\$ 250,000
2016	<u>250,000</u>	<u> </u>	<u>250,000</u>
	<u>\$ 500,000</u>	<u>\$</u>	<u>\$ 500,000</u>

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

Note 7 - LONG-TERM DEBT (continued)

Long-term debt activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds:					
Series 2001B	\$ 19,755,000	\$	\$ 470,000	\$ 19,285,000	\$ 490,000
Unamortized Discount	(354,501)		(15,583)	(338,918)	
Notes Payable:					
Operator Loan	600,000		200,000	400,000	200,000
Key Money Loan	<u>150,000</u>		<u>50,000</u>	<u>100,000</u>	<u>50,000</u>
	<u>\$ 20,150,499</u>	<u>\$</u>	<u>\$ 704,417</u>	<u>\$ 19,446,082</u>	<u>\$ 740,000</u>

Note 8 - RELATED PARTY OPERATING LEASES

A. Site Lease

On June 1, 2001, the Corporation entered into a site lease with the City of Myrtle Beach, South Carolina (City), which was subsequently amended on May 1, 2004. The site lease is for a 2.71 acre parcel of land upon which the convention center hotel is constructed. The site lease expires April 1, 2036 and requires annual rental payments equal to a fixed rental component plus 3.0% of the Corporation's gross revenues. The rental payments are to be remitted to the City in accordance with the terms of the revenue bond trust indenture. During the year ended June 30, 2014, rent expense for this lease amounted to \$3,417,160.

Minimum future rental payments for the fixed component of this lease as of June 30, 2014 are as follows:

Year Ending June 30, 2015	\$ 2,966,188
2016	2,963,462
2017	2,963,306
2018	2,966,182
2019	2,965,932
2020 - 2024	19,209,672
2025 - 2029	19,030,750
2030 - 2034	19,039,250
2035 - 2036	<u>7,610,000</u>
	<u>\$ 79,714,742</u>

B. Support Facilities Sublease

On June 1, 2001, the Corporation entered into a support facilities sublease with the City, which was subsequently amended on May 1, 2004. The support facilities sublease is for a portion of the convention center facilities that are currently being leased by the City. The support facilities sublease expires April 1, 2036 and requires the Corporation to make a \$1 annual rental payment to the City.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9 - RETIREMENT PLAN

The Corporation maintains a defined contribution Internal Revenue Code Section 401(K) retirement plan. The plan covers substantially all employees. The plan provides partial vesting of employer contributions after one year and full vesting after five years of service. The plan allows eligible employees to contribute a portion of their compensation with an employer match. The Corporation's contributions to the plan totaled \$18,267 for the year ended June 30, 2014.

Note 10 - RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these risks of loss, the Corporation purchases commercial insurance. During the year ended June 30, 2014, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the Corporation's insurance coverage in any of the past three years.

Note 11 - COMMITMENTS**A. Qualified Management Agreement**

On September 27, 2005, the Corporation entered into a qualified management agreement with Interstate Management Company, LLC (Interstate), which was subsequently amended on January 17, 2011, for the operation and management of the convention center hotel. The agreement expires March 31, 2020 and requires the Corporation to pay Interstate the following fees:

Base Management Fee - This fee amounts to \$440,067 for the year ended March 31, 2014. For subsequent years, the base management fee will be adjusted by an external index.

Subordinate Management Fee - This annual fee amounts to 0.5% of project gross revenues. The subordinate management fee applies only if project gross revenues exceed \$18,000,000 for a given year.

Centralized Services Fee - This fee relates to support programs provided by Interstate which include revenue management services, national corporate sales and technology support. The fee amounts to \$59,900 for the year ended March 31, 2014. For subsequent years, the centralized services fee will increase by an annual inflationary adjustment.

Executive Management Fee - This fee relates to the payment of salaries, wages and employee benefits for the hotel executive staff and corporate staff employees. The fee amounts to \$678,132 for the year ended March 31, 2014. For subsequent years, the executive management fee will increase by an annual inflationary adjustment.

During the year ended June 30, 2014, the Corporation incurred the following fees in conjunction with the qualified management agreement:

MYRTLE BEACH CONVENTION CENTER HOTEL CORPORATION

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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 11 - COMMITMENTS (continued)

Base Management Fee	\$	448,296
Centralized Services Fee		60,079
Executive Management Fee		<u>575,282</u>
	\$	<u>1,083,657</u>

B. License Agreement

On September 27, 2005, the Corporation entered into a license agreement with The Sheraton Corporation. The agreement allows the Corporation to operate the convention center hotel under the Sheraton brand for a period of ten years ending on September 27, 2015. In consideration for the use of the Sheraton brand, the Corporation is required to pay a monthly (a) license fee, which is based on 5.0% of assumed gross room sales, and (b) system programs and services fee. During the year ended June 30, 2014, fees incurred under this agreement totaled \$812,894.

Note 12 - CUMULATIVE EFFECT OF ADOPTING GASB STATEMENT NO. 65

During the year ended June 30, 2014, the Corporation adopted the provisions of GASB Statement No. 65. As a result, beginning net position has been decreased by \$538,117 in order to remove all debt issuance costs other than prepaid bond insurance. Had the provisions of GASB Statement No. 65 been adopted previously, the change in net position for 2013 would have increased by \$23,659.

INDEPENDENT AUDITORS' OTHER REPORT SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Myrtle Beach Convention Center Hotel Corporation
Myrtle Beach, South Carolina

We have audited, in accordance with the 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, the financial statements of the Myrtle Beach Convention Center Hotel Corporation, a component unit of the City of Myrtle Beach, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Myrtle Beach Convention Center Hotel Corporation's basic financial statements, and have issued our report thereon dated September 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Myrtle Beach Convention Center Hotel Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Myrtle Beach Convention Center Hotel Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Myrtle Beach Convention Center Hotel Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Smith Sapp Bookhout Crumpler & Callihan
A Professional Association of Certified Public Accountants & Consultants

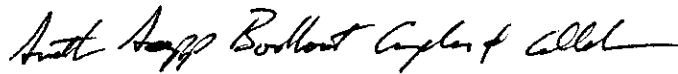
South Carolina Association of Certified Public Accountants
American Institute of Certified Public Accountants - Private Companies Practice Section

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Myrtle Beach Convention Center Hotel Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SMITH SAPP BOOKHOUT CRUMPLER & CALLIHAM
Professional Association of Certified Public Accountants

Myrtle Beach, South Carolina
September 23, 2014

APPENDIX C
DEFINITIONS

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DEFINITIONS

Following is a summary of certain definitions relating to the \$16,405,000 Refunding Revenue Bonds (City of Myrtle Beach Project), Series 2015 (the "Series 2015 Bonds"), of the South Carolina Jobs-Economic Development Authority (the "Authority"), not described elsewhere in this Official Statement.

"2001 Series B Bonds" means the \$23,500,000 original principal amount Subordinate Revenue Bonds (Myrtle Beach Convention Center Hotel Project), 2001 Series B of the Authority.

"Account" means any of the accounts created under the Indenture.

"Accountant" means any nationally recognized independent certified public accountant or firm of such accountants selected by the Hotel Corporation.

"Accountant's Certificate" means a certificate signed by an Accountant.

"Accrued Aggregate Debt Service" means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series of Bonds, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current Bond Year, and (ii) principal payments and Sinking Fund Installments due and unpaid and that portion of the principal payments and Sinking Fund Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such Bond Year.

"Act" means Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended, and all laws amendatory thereof or supplemental thereto.

"Additional Bonds" means all Additional Project Bonds and Refunding Bonds authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture.

"Additional Funding Request" has the meaning set forth in the front part of this Official Statement under the caption "OPERATION OF THE HOTEL--Qualified Management Agreement--*Accounting System*."

"Additional Lease Payments" means, at any date of calculation, the amount due to the City from the Corporation pursuant to the Site and Support Facilities Lease (including amounts accrued and unpaid with respect thereto) other than the Three Percent Lease Payments.

"Additional Loan Fund" means the fund by that name established pursuant to the Indenture.

"Additional Loan Proceeds Account" means the account by that name established pursuant to the Indenture.

"Additional Loans" means the amounts, if any, advanced to the Hotel Corporation by the lender (i) to cover operating deficits with respect to the Project, (ii) to be deposited in any of the funds and accounts created under the Indenture, or (iii) finance additions, replacements and renewals to the Project, under the terms and conditions of an agreement between the Manager, the Licensor, or the third-party lender and the Corporation entered into at the time of such advance and amended for any additional advances, which "Additional Loans" shall include specifically the Interstate Loans and the Starwood Loans.

"Additional Project Bonds" means all revenue bonds of the Authority issued for additional projects, authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered pursuant to the Indenture.

"Adjustment Amount" means the adjustments that reconcile the errors in prior Capital Reserve Primary Set Aside Amount caused by such factors as (a) the use of Manager's estimates of Gross Operating Revenues rather than actual Gross Operating Revenues and (b) audit corrections. Overpayment of prior Capital Reserve Primary Set

Aside Amount would be treated as a negative Adjustment Amount; underpayments would be treated as a positive Adjustment Amount.

“Administrative Expenses” means the reasonable fees and expenses of the Hotel Corporation and the Trustee, but specifically excluding any legal judgments against the Hotel Corporation or the Trustee.

“Affiliate” means with respect to any Person as of the relevant date in question, any other Person directly or indirectly controlling, controlled by, or under common control with the Hotel Corporation or the Manager, as the case may be, and any Person directly or indirectly controlling, controlled by or under common control with such entities and, without limiting the generality of the foregoing, shall include (i) any Person which beneficially owns or holds five percent or more of any class of voting securities of such designated Person or five percent or more of the equity interest in such designated Person and (ii) any Person of which such designated Person beneficially owns or holds five percent or more of any class of voting securities or in which such designated Person beneficially owns or holds five percent or more of the equity interest. For purposes of this definition, the term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

“Annual Debt Service” means, for each Bond Year, the sum of (1) the interest falling due on the Outstanding Bonds in such year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds, if any, are redeemed from such Sinking Fund Installments as may be scheduled, (2) the principal amount of the Outstanding Serial Bonds, if any, falling due by their terms in such year, and (3) the Sinking Fund Installments required to be made in such year to pay or redeem Outstanding Term Bonds.

“Annual Marketing Plan” means a report prepared by Manager and approved by Hotel Corporation as part of the Operating Plan and Budget that sets forth an objective assessment of the business conditions affecting the operation of the Project in the upcoming Operating Year, a complete evaluation of the Project’s competitive position and a detailed summary of strategies and the associated costs that will be used to take advantage of business opportunities.

“Annual Operating Budget” means a report prepared by Manager and approved by Hotel Corporation as part of the Operating Plan and Budget that estimates Gross Operating Revenues, Operating Expenses, the Taxes and Insurance Set Aside Amount, the Capital Reserve Primary Account Set Aside Amount (and applicable Adjustment Amounts), Debt Service, the amounts to be deposited in the Rebate Fund, the amount of principal and interest payable on the Additional Loans, the Subordinate Management Fee, the Lease Payments, the Convention Center Use Fee, and the Debt Service Coverage Ratio for the upcoming Operating Year, and, if applicable, as adjusted pursuant to the provisions of the Loan Agreement described in the front part of this Official Statement under the caption “REVENUE COVENANT AND CERTAIN OTHER COVENANTS--Annual Budget.” The Annual Operating Budget shall contain these estimates for each month of the Operating Year in the form and format established by Manager and consistent with the Uniform System of Accounts and acceptable to the Trustee.

“Applicable Law” means all laws, ordinances, judgments, decrees, injunction, writs and orders of any court arbitrator or governmental agency or authority, rules, regulations and requirements of all federal, state, county, municipal, regional or local governmental agencies, and public authorities, courts, departments, commissions, boards and offices, any national or local Board of Fire Underwriters or Insurance Services Offices having jurisdiction over the Project, or any other body exercising functions similar to those of any of the foregoing, or any insurance carriers providing any insurance coverage for the Hotel Corporation or the Project which may be applicable to the Project or any part thereof, including, without limitation, the Occupational Safety and Health Act and all other applicable laws relating to workplace safety or toxic materials, substances or wastes and all laws relating to works of improvement and all other applicable laws relating to construction projects.

“April Reserve Requirement” means, for the purposes of funding the April Subaccount for the Series 2015 Bonds, an amount equal to the least of (a) 10% of the original proceeds of the Series 2015 Bonds (less any original issue discount when such original issue discount represents more than a de minimis amount); (b) the maximum annual debt service on the Series 2015 Bonds; or (c) 125% of the average annual debt service on the Series 2015 Bonds. Upon the issuance of a Series of Additional Bonds, April Reserve Requirement shall mean an amount equal to the maximum annual Debt Service on all Bonds Outstanding in any Fiscal Year; provided, however, if in the opinion of

Bond Counsel a lesser amount is the maximum that may be funded from proceeds of Bonds (without requiring a determination otherwise by the United States Secretary of the Treasury) with respect to any Series of Bonds issued on a tax-exempt basis in order for interest on all Bonds issued on a tax-exempt basis to remain exempt from federal income taxes, then the April Reserve Requirement shall be reduced accordingly.

“April Subaccount” means the subaccount of the Debt Service Reserve Account by that name established in the Indenture.

“Assignment Agreement” means that certain Assignment Agreement dated as of January 1, 2015, by and among the Corporation, the Trustee, the Manager, the Licensor and the City, and as further amended from time to time.

“Assignment of Leases, Rents and Profits” means the Assignment of Leases, Rents and Profits dated as of June 1, 2001, by the Corporation for the benefit of the Trustee, as amended, and as it may be further amended, modified and supplemented from time to time.

“Authority” means the South Carolina Jobs-Economic Development Authority, a public body corporate and politic and an agency of the State.

“Authorized Denominations” means (i) in the case of the Series 2015 Bonds, any integral multiple of \$5,000 and (ii) in the case of Additional Bonds, the amount specified in the Supplemental Indenture authorizing the issuance thereof.

“Authorized Representative” means, with respect to: (i) the Hotel Corporation, its President, or any other person designated as an Authorized Representative of the Hotel Corporation by a Certificate of the Hotel Corporation signed by its President, and filed with the Trustee; (ii) the Authority, its Executive Director or any other officer as may be designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chairman or its Executive Director and filed with the Trustee; (iii) the Manager, its Chief Financial Officer, Regional Director of Finance, Senior Vice President of Accounting, Vice President of Accounting, General Manager and Hotel Director of Finance; or such other individual(s) at the time designated to act on behalf of such entities by the most recent Certificate furnished by such entity to the Trustee containing the specimen signature of such individual and signed on behalf of such entity by an Authorized Representative.

“Available Proceeds” has the meaning set forth under the caption “REVENUE COVENANTS AND CERTAIN OTHER COVENANTS--Disposition of Insurance and Condemnation Proceeds” in the front part of this Official Statement.

“Base Management Fee” means a quarterly management fee designated as such and paid to the Manager pursuant to the Qualified Management Agreement.

“Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Bonds” means the 2001 Series B Bonds, the Series 2015 Bonds and all Additional Bonds of any Series authorized by and at any time Outstanding pursuant to the Indenture.

“Bond Counsel” means an attorney or firm of attorneys nationally recognized as having expertise in matters relating to tax-exempt bonds.

“Bond Documents” means the Indenture, the Loan Agreement and any other agreement relating to the Bonds.

“Bondholder,” whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

“Bond Year” means (1) with respect to the initial Bond Year, the period from the date the Bonds are originally delivered to and including the first succeeding April 1, and (2) thereafter, each twelve-month period from April 2 in any calendar year to and including April 1 in the following calendar year.

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State, the State of New York or in any state in which the Principal Corporate Trust Office of the Trustee is located are authorized or required by law or executive order to remain closed or a day on which The New York Stock Exchange is closed.

“Business Interruption Account” means the segregated account by that name created within the Insurance and Condemnation Proceeds Fund to be established by the Trustee pursuant to the Indenture.

“Capital Budget” means the section of the Operating Plan and Budget prepared by the Manager and approved by the Hotel Corporation pursuant to the Qualified Management Agreement that sets forth (i) a five-year forecast of Capital Improvements needs, (ii) a five-year forecast of available funds in the Capital Reserve Fund and (iii) a detailed description of the requested Capital Improvements, associated costs and funding plan for the upcoming Operating Year.

“Capital Expenditures” means expenditures for needed Capital Improvements that are necessary to Operate the Project in compliance with the Operating Standards.

“Capital Expense” means any item of expense that, according to Generally Accepted Accounting Principles, is not properly deductible as a current expense on the books of the Hotel Corporation, but rather should be capitalized.

“Capital Improvements” means any item of any nature incorporated into the Project, the cost of which is a Capital Expense.

“Capital Reserve Fund” means the fund by that name established in the Indenture.

“Capital Reserve Primary Account” means the account by that name within the Capital Reserve Fund established pursuant to the Indenture.

“Capital Reserve Primary Account Set Aside Amount” for each month shall mean an amount equal to four percent of Estimated GOR, adjusted by the Adjustment Amount, plus any amount of the Capital Reserve Primary Account Set Aside Amount theretofore accrued and unpaid.

“Capitalized Interest Subaccount” means the account by that name established pursuant to the Indenture.

“Cash Trap Fund” means the account by that name established pursuant to the Indenture.

“Casualty” means damage or destruction by fire, casualty or any other cause.

“Center” means the Myrtle Beach Convention Center.

“Centralized Services Fees” means the fee designated as such under the Qualified Management Agreement and referred to in the front part of this Official Statement as the “Interstate Centralized Services Fees”.

“Certificate,” “Statement,” “Request,” and “Order” of the Authority, the Manager, the Licensor or the Hotel Corporation means, respectively, a written certificate, statement, request or order signed in the name of the Authority, the Manager, the Licensor or the Hotel Corporation, respectively, by an Authorized Representative thereof.

“Certificate of Reduction in Debt Service” means a certificate signed by an Authorized Representative of the Authority to the effect that the Debt Service in each Fiscal Year on the Bonds to be Outstanding immediately after the issuance of the Series of Refunding Bonds to which such certificate relates is not greater than the Debt Service on the Bonds Outstanding immediately prior to the issuance of such Series of Refunding Bonds.

“Certified Financial Statements” means financial statements consisting of a balance sheet, a statement of earnings and retained earnings, and a statement of cash flows and a certificate of the Accountant to the effect that, subject to any qualifications contained therein, the financial statements fairly present, in conformity with Generally Accepted Accounting Principles, the financial position, results of operations, and cash flows of the Project for the Operating Year then ended.

“City” means the City of Myrtle Beach, South Carolina, a municipal corporation, duly organized and existing under and by virtue of the Constitution and the laws of the State.

“Clearing Bank Account” means each segregated deposit account established under the Qualified Management Agreement by the Manager for the purpose of depositing Project Gross Revenues.

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

“Concession Services Agreement” means the Concession Services Agreement dated as of April 1, 2004, between the City and the Hotel Corporation, as amended from time to time.

“Condemnation” means the temporary or permanent acquisition of all or any portion of the Project by any Governmental Authority having the power of condemnation, eminent domain or similar procedure by compulsory acquisition or voluntary sale under threat of compulsory acquisition.

“Confidential and Proprietary System Information” means Guest Data, Hotel Data, System Hotel Statistics and all System Information, whether or not developed by Licensor from its own Guest Data and System Hotel Statistics or from Hotel Data, regardless of whether such are labeled confidential, proprietary or trade secret.

“Consolidated Net Tangible Assets” means as of any particular time the aggregate amount of assets of the Hotel Corporation after deducting therefrom (a) all liabilities and (b) all goodwill, patents, copyrights, trademarks, trade names, unamortized debt discount and expense and other like intangibles, all as shown in the most recent combined financial statements of the Hotel Corporation prepared in accordance with generally accepted accounting principles.

“Construction Fund” means the fund by that name established pursuant to the Indenture.

“Consultant” means an independent Person qualified in the opinion of the Hotel Corporation to report on questions, make judgments or provide advice relating to the financial condition and operations of, and financial forecasts with respect to, hotel facilities, selected by the Hotel Corporation.

“Contingency” means an amount or amounts on account of contingencies not to exceed, in the aggregate, the amount budgeted therefor as set forth in the Project Budget.

“Continuing Disclosure Undertaking” means that certain Continuing Disclosure Undertaking of the Hotel Corporation dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Contractual Obligations” means as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” means the right or ability, directly or indirectly, to cause a Person to act in accordance with another Person’s instructions.

“Convention Center Use Fee” means the three percent fee assessed against the purchase, use or rental of Project facilities, goods and/or services, as determined under the Uniform System of Accounts, required to be collected by the Manager under the Qualified Management Agreement.

“Corporate Staff Employees” means any individual employed by Manager or its Affiliates who is not assigned permanently or temporarily on a full-time basis to the Project.

“CPI Index” means the monthly Consumer Price Index--All Items--All Urban Consumers (base year 1982-1984 = 100) for the South Urban Region--Size B/C (50,000 to 1,500,000) for the United States, published by the United States Department of Labor. If the CPI Index is changed so that the base year differs from that in effect on the Opening Date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the CPI Index is discontinued or revised during the Management Term, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the CPI Index had not been discontinued or revised.

“Debt Service” means, as of any date of calculation and with respect to any period, and with respect to the Bonds of any Series, an amount equal to the sum of (i) interest accruing during such period on the Outstanding Bonds of such Series and not accounted for in the capitalized interest subaccount, if any, established with respect to such Series of Bonds, and (ii) that portion of each principal payment and Sinking Fund Installment for the Outstanding Bonds of such Series which would accrue during such period if each such principal payment and Sinking Fund Installment were deemed to accrue daily in equal amounts from the next preceding date on which the principal of or a Sinking Fund Installment for Bonds of such Series is payable (or, if there shall be no such preceding date, from a date one year preceding the due date of such principal payment or Sinking Fund Installment or from the date of issuance of the Bonds of such Series, whichever date is later). Such interest, principal and Sinking Fund Installment payments for the Outstanding Bonds of such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation shall cease to be Outstanding except by reason of the payment of principal and Sinking Fund Installments on the due dates thereof and on the basis of the actual number of days within the relevant period.

“Debt Service Coverage Ratio” means, for any period, a quotient obtained by dividing (a) by (b), where (a) shall be equal to the Gross Revenues, net of Operating Expenses, Administrative Expenses, real property taxes, assessments, fees or payments in-lieu-of-taxes, insurance premiums, and less all income, profits and other income received from the investment of moneys in the Funds and Accounts created under the Indenture as determined under Generally Accepted Accounting Principles for such period (provided that such calculation shall not take into account depreciation, amortization or other non-cash expenses), and (b) is equal to the Debt Service for such period, except for purposes of satisfying the tests set forth in the provisions of the Indenture described under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Additional Bonds” in the front part of this Official Statement, for which (b) shall be equal to the Maximum Annual Debt Service with respect to the applicable Bonds.

“Debt Service Coverage Requirement” means, for a Fiscal Year, a Debt Service Coverage Ratio which is not less than 1.35:1.0.

“Debt Service Fund” means the fund by that name established pursuant to of the Indenture, including the subaccounts therein.

“Debt Service Reserve Fund” means the Fund by that name established pursuant to the Indenture, including the subaccounts therein.

“Debt Service Subaccount” means the subaccount by that name established pursuant to the Indenture.

“Depository” or “Depository Bank” means the depository bank under the Lockbox Agreement.

“DTC” means The Depository Trust Company and its successors and assigns, or any other Securities Depository selected as set forth in the Indenture with respect to the Series 2015 Bonds or in the Indenture and the provisions of the applicable Supplemental Indenture with respect to Additional Bonds, which agrees to follow the procedures required to be followed by such Securities Depository in connection with the Bonds.

“Effective Date” means the date any agreement relating the Project is executed and in force, as applicable.

“Emergency Situations” means conditions existing at or with respect to the Project for which the Manager reasonably believes that there is a present need to expend funds to cure or remedy such conditions, which cure or remedy is needed to keep the Project Operating or to comply with Legal Requirements or which addresses immediate concerns

of safety, requirements to protect life, health or property from imminent damage or requirements of any insurance company covering any of the risks against which the Project is insured.

“Encumbrance” means any claim, lien, charge or liability attached to or resulting from a security interest in or pledge of all or any part of the Project other than a Mortgage.

“Environmental Laws” means all present and future federal, state and local laws, statutes, ordinances, rules or regulations and other requirements of governmental authorities relating to the environment or to any Hazardous Material, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., as now or hereafter amended (“CERCLA”), the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., as now or hereafter amended, the Clean Water Act, 33 U.S.C. Section 1251 et seq., as now or hereafter amended, the Clean Air Act, 42 U.S.C. Section 7401 et seq., as now or hereafter amended, the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., as now or hereafter amended, and the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., as now or hereafter amended.

“Estimated GOR” means an estimate of Gross Operating Revenues for an Operating Month prepared by the Manager.

“Event of Default” means any of the events described under the heading “INDENTURE--Events of Default and Remedies of Bondholders” in Appendix D of this Official Statement.

“Event of Nonappropriation” means a failure of the City Council of the City to include in the annual budget of the City an amount sufficient to make any payments required pursuant to the provisions of the Site and Support Facilities Lease described under the caption “THE HOTEL--Site and Support Facilities Lease” in the front part of this Official Statement; provided, however, that such Event of Nonappropriation shall be deemed to occur on the September 1 following the receipt of notice; provided further, that an Event of Nonappropriation shall not occur on such September 1 if prior to such September 1 the City shall amend its annual budget for such Fiscal Year to include therein an amount sufficient to make all such payments.

“Expert Resolution Process” means the process for the resolution of disputes described in the Qualified Management Agreement.

“Financial Guaranty” means one or more of the following to be delivered to the Trustee pursuant to the Indenture: (i) an irrevocable, unconditional and unexpired letter or letters of credit issued by a banking institution the senior long-term debt obligations of which (or the holding company of any such banking institution) are rated (at the time of issue of such letter of credit) in either of the top two Rating Categories by both Moody’s and S&P; or (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect issued by a municipal bond insurer the obligations insured by which (at the time of issuance of such insurance policy) are eligible for a rating in either of the top two Rating Categories by both Moody’s and S&P; in each case providing for the payment thereunder of sums for the payment of principal or Redemption Price of, and interest on, the Bonds as required by the Indenture.

“Financing Documents” means the Bonds, the Loan Agreement, the Indenture, the Mortgage, the Assignment Agreement and the Qualified Management Agreement.

“Fiscal Year” for the Hotel Corporation or the City, as applicable, means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month accounting period hereafter selected and designated as the official fiscal year.

“FF&E” means furniture, furnishings, fixtures, outfittings, decorations and equipment customarily used in connection with the construction and Operation of a System Hotel, including all equipment required for the operation of kitchens, laundries, bars, special lighting, signs, carpets, drapes, shades, tapestries, pictures, paintings, beds, mattresses, chairs, desks, tables, sofas, wall coverings, televisions, radios, intercoms, telephones and office equipment and machinery.

“Force Majeure” means (i) acts of nature including hurricanes, typhoons, tornadoes, cyclones, other severe storms, winds, lightning, floods, earthquakes, volcanic eruptions, disease and epidemics; (ii) fires and explosions

except those intentionally caused by Hotel Corporation, Manager or their respective agents; (iii) acts of war; riots or other civil commotion; terrorism, including hijacking, sabotage, bombing, murder, assault and kidnapping; (iv) strikes or other labor disturbances; (v) shortages of critical materials or supplies; and (vi) action or inaction of Governmental Authorities excluding Condemnations, but including the imposition of restrictions on room rates (except for restrictions on room rates as a result of the Room Block Agreement), Project Employee wages, or other material aspects of the Project's construction or Operation. If any Governmental Authority Controls a party, then any act of that Governmental Authority does not constitute a Force Majeure as to that party.

“Fund” means any of the funds created under the Indenture.

“Generally Accepted Accounting Principles” or “GAAP” means those conventions, rules, procedures and practices, consistently applied, affecting all aspects of recording and reporting financial transactions which are generally accepted by major independent accounting firms in the United States. Any financial or accounting terms not otherwise defined herein shall be construed and applied according to Generally Accepted Accounting Principles.

“Governmental Actions” means all authorizations, consents, approvals, waivers, exemptions, variances, franchises, permissions, permits and licenses of, and filings, registrations, recordings and declarations with, federal, state and other governmental authorities which are necessary or advisable in connection with the transactions contemplated by any Transaction Document including, without limitation, in connection with the compliance with applicable environmental laws and regulations, the ownership of the Site and the Project, the use, non-use, occupancy, construction, operation and maintenance of the Project by the Manager and the Hotel Corporation and the execution, delivery and performance by the respective parties thereto of the Transaction Documents.

“Governmental Authority” means any governmental authority or legal, judicial or regulatory body or agency (whether federal, state or local) from time to time having jurisdiction over the Project or any person or party to a Transaction Document, any property of any of them or any of the transactions contemplated by any Transaction Document.

“Government Obligations” means:

- (a) direct obligations of, or obligations the payment of principal and interest on which is unconditionally guaranteed by, the United States of America;
- (b) certificates, trust receipts, or similar instruments evidencing ownership of principal payments or interest payments due on bonds of the United States of America if held in the custody of a commercial bank or lead bank of a parent holding company whose obligations are rated in one of the two highest Rating Categories;
- (c) direct, general obligations of any state or territory of the United States of America, or of any political subdivision of any such state, to the payment of principal of and interest on which the full faith and credit of the issuer thereof is pledged; provided that such obligations are rated within one of the two highest Rating Categories and with respect to obligations of a political subdivision, are payable from taxes levied on all the taxable property therein without limitation as to rate or amount;
- (d) any other obligations of any such state, territory or political subdivision, provided that the payment of principal of and interest on such obligations has been insured through the issuance of any irrevocable municipal bond insurance policy and that such obligations are rated in one of the two highest Rating Categories;
- (e) any obligations of any such state, territory or political subdivision the payment of principal of and interest on which is secured by an escrow fund constituted of obligations described in clauses (a), (b), (c) or (d) of this definition; and
- (f) obligations of any agency, department, or instrumentality of the United States, or obligations guaranteed directly or indirectly by any such agency, department, or

instrumentality, provided that such obligations are rated in one of the two highest Rating Categories by S&P and Moody's.

“Governmental Permits” means all approvals, certificates, licenses and permits from any Governmental Authority required to evidence full compliance by Hotel Corporation or Manager with all Legal Requirements or required to evidence that the Project complies with all Legal Requirements.

“Gross Operating Profit” means the difference between Gross Operating Revenues and Operating Expenses in a given period.

“Gross Operating Revenues” means, with respect to any period, all revenue and income of any kind derived directly or indirectly from operations at the Project and properly attributable to the period under consideration (including rentals or other payments from licensees, lessees, or concessionaires of retail space in the Project or the valet parking, but not gross receipts of such licensees, lessees, or concessionaires), determined in accordance with Generally Accepted Accounting Principles and the Uniform System of Accounts, except that the following shall not be included in determining Gross Operating Revenues:

- (i) applicable excise, sales, occupancy and use taxes, or similar government taxes, duties, levies or charges collected directly from patrons or guests, or as a part of the sales price of any goods, services, or displays, such as gross receipts, admission, cabaret, or similar or equivalent taxes;
- (ii) receipts from the financing, sale or other disposition of capital assets and other items not in the ordinary course of the Project's operations and income derived from securities and other property acquired and held for investment;
- (iii) receipts from awards or sales in connection with any Taking, from other transfers in lieu of and under the threat of any Taking, and other receipts in connection with any Taking except Condemnation awards for temporary use of the Project's guestrooms;
- (iv) proceeds of any insurance except business interruption and extra expense insurance awards in respect of Project guestrooms;
- (v) rebates, discounts, or credits of a similar nature (not including charge or credit card discounts, which shall not constitute a deduction from revenues in determining Gross Operating Revenues, but shall constitute an Operating Expense);
- (vi) consideration received at the Project for hotel accommodations, goods and services to be provided at other hotels although arranged by, for or on behalf of, Manager (excluding catering revenue generated by Manager on behalf of the Corporation);
- (vii) notwithstanding any contrary requirements of Generally Accepted Accounting Principles, all gratuities collected (or to be collected) for the benefit of and paid to any Project Employee;
- (viii) proceeds of any financing;
- (ix) interest earned on funds held in any Funds or Accounts by the Trustee;
- (x) the value of any complimentary rooms, goods or services;
- (xi) any sums or credit received by Hotel Corporation for lost or damaged items; and
- (xii) any sums collected as a Convention Center Use Fee.

“Gross Revenues” means all Project Gross Revenues and all of the Hotel Corporation's interest in all interest, profits or other income derived from the investment of amounts in any fund established pursuant to the Indenture.

“Hazardous Material” means any substance that is at any time defined or listed in or otherwise classified pursuant to any applicable laws or regulations including, without limitation, the Environmental Laws, as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “pollutant” or any other formulation intended to define or list substances by reason of their deleterious properties, including, without limitation, asbestos, polychlorinated biphenyls, petroleum products and radioactive substances.

“Holder” has the same meaning as Bondholder.

“Hotel Executive Staff” means the Project’s General Manager, Director of Operations, Director of Food & Beverage, Director of Sales and Marketing, and Director of Finance, or such positions designated in writing by the Corporation to the Trustee pursuant to the Qualified Management Agreement.

“Hotel Advisor” means either an independent hospitality consulting firm or an individual which or who is qualified to resolve the issue in question. If the Hotel Advisor is a consulting firm, it must have experience in the operations/asset management of first class hotels; if the Hotel Advisor is an individual, that individual must have at least five years of executive-level experience with managing first class convention hotels.

“Hotel Corporation” means Myrtle Beach Convention Center Hotel Corporation, a South Carolina nonprofit public benefit corporation, or any corporation or entity which is the surviving, resulting or transferee corporation or entity in any merger, consolidation or transfer of substantially all the assets of the Hotel Corporation permitted under the Loan Agreement.

“Hotel Data” means that part of the Guest Data and System Hotel Statistics derived from the Operation of the Project.

“Impositions” mean all real estate, personal property, utility, business or occupation taxes that cannot be passed along to customers of the Project and other taxes (other than taxes imposed on fees earned by Manager pursuant to the Qualified Management Agreement and payroll taxes), imposed by any Governmental Authority with respect to the Project.

“Indebtedness” means (i) all indebtedness for money borrowed, whether or not represented by bonds, debentures, notes or other securities, including, without limitation, indebtedness arising out of overdrafts of bank accounts; (ii) all deferred indebtedness for the payment of the purchase price of property or assets purchased; (iii) all indebtedness under any lease which, under Generally Accepted Accounting Principles, is required to be capitalized for balance sheet purposes; (iv) all guaranties, endorsements, assumptions or other contingent obligations in respect of, or to purchase or otherwise acquire, indebtedness of others; (v) all indebtedness secured by any lien existing on property owned, whether or not the indebtedness secured thereby shall have been assumed by the Person granting the lien; and (vi) all amounts payable under contracts pursuant to which a Person is obligated to pay for goods, materials or services regardless of whether such Person actually takes or receives such goods, materials or services. In determining the amount of Indebtedness outstanding as of any date of calculation, there shall be deducted from the aggregate principal amount of such Indebtedness an amount equal to the amount then on deposit in any trustee-held reserve account or trustee-held escrow fund and available for the payment of the principal of such Indebtedness.

“Indenture” means the Trust Indenture dated as of June 1, 2001, between the Authority and the Trustee, as amended and restated, including by the Second Amended and Restated Indenture dated as of January 1, 2015, and as it may from time to time be supplemented, modified or amended by all Supplemental Indentures executed pursuant to the provisions of the Indenture.

“Insurance and Condemnation Proceeds Fund” means the fund by that name established pursuant to the Indenture.

“Insurance Consultant” means an independent Person having experience and a favorable reputation in consulting on the insurance requirements of facilities of the general size and character of the Project, selected by the Hotel Corporation.

“Interest Payment Date” means April 1 and October 1 in each year, commencing April 1, 2015.

“Interstate” means Interstate Management Company, LLC, and its successors and assigns.

“Interstate Loans” means the conversion loan in the original principal amount of \$905,000 evidenced by a Promissory Note executed by the Hotel Corporation in favor of Interstate dated September 27, 2005, including any renewal, modification, amendment or extension thereof.

“Investment Agreement” means an agreement or contract pursuant to which the principal thereof is payable upon demand at par plus accrued interest by the Trustee, with a financial institution (including an insurance company) whose unsecured obligations at the time of investment are rated in one of the three highest Rating Categories, or if the rating of the unsecured obligations of the provider given by any rating agency falls below the three highest rating categories, the provider must immediately notify the Trustee in writing of such rating decline, and if the provider does not fully and continuously collateralize such Investment Agreement with investments described in clause (a) or (b) of the definition of Government Obligations maturing not later than the next Interest Payment Date deposited with the Trustee, or with a third party custodian on behalf of the Trustee approved by, and in accordance with documentation satisfactory to, the Trustee, within five Business Days of such rating decline and, if the Trustee, or such third party custodian, does not receive such collateral within such period, the Trustee shall, upon at least two Business Days’ notice to the provider, draw upon such Investment Agreement and deposit the proceeds in the applicable fund. All custodial fees shall be paid by the provider of such Investment Agreement.

“Investment Securities” means and includes any of the following securities, to the extent permitted by the laws of the State:

(i) Direct obligations (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and obligations of the Government National Mortgage Association), or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(ii) Bonds, debentures or notes or other evidence of indebtedness payable in cash issued by the United States Treasury which represents the full faith and credit of the United States of America or the following federal agencies: Federal Home Loan Bank, Federal Farm Credit Bank, Farmer’s Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Hotel Corporation, Federal National Mortgage Association and the Federal Home Loan Mortgage Hotel Corporation.

(iii) Certificates of deposit (a) with a term of one year or less, (b) issued by commercial banks, state banking corporations (including the Trustee and its affiliates), savings and loan associations and mutual savings banks whose short-term obligations are rated at least “A-1+” by S&P and “Prime-1” by Moody’s, and (c) properly secured at all times by collateral security described in (i) or (ii) above and rated at least “A” or better by S&P or Moody’s.

(iv) The following investments fully insured by the Federal Deposit Insurance Hotel Corporation (“FDIC”): (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, or (d) depository receipts of banks, state banking corporations (including the Trustee and its affiliates), savings and loan associations and mutual savings banks.

(v) Repurchase agreements or collateralized investment agreements with banks, state banking corporations, savings and loan associations, or any broker-dealer with “retail customers” which falls under the jurisdiction of the Securities Investors Protection Hotel Corporation (SIPC), provided that: (a) the collateralization is at least 106 percent, valued monthly, with remaining terms and maturities less than or equal to one year, (b) the Trustee or a third party on behalf of the Trustee will have possession of such obligations, (c) the Trustee will have perfected a first priority security interest in such obligations, (d) such obligations are free and clear of claims of third parties, (e) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral, and (f) eligible collateral will include: (I) direct obligations of the Department of the Treasury of the United States of America (including obligations of the Government National Mortgage Association), and (II) bonds, debentures or notes or other evidence of indebtedness payable in cash issued by any one or a combination of any of the following

federal agencies: the Federal National Mortgage Association and the Federal Home Loan Mortgage Hotel Corporation.

(vi) Money market funds rated at least “AAAm-G,” “AAAm” or “AA-m” by S&P and, if rated by Moody’s, “Aaa,” “Aa1” or “Aa2” by Moody’s, or money market funds comprised of obligations described in clause (i) of this definition of “Investment Securities” or repurchase agreements or interest rate swap agreements collateralized by such obligations. Such funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(vii) Investment Agreements.

(viii) Tax-exempt obligations rated in either of the two highest Rating Categories,

“Lease Payments” means the Additional Lease Payments and the Three Percent Lease Payments.

“Legal Requirements” means all laws, statutes, ordinances, rules, regulations, permits, licenses, authorizations, directions, and requirements of all governments or regulatory authorities, that now or hereafter may be applicable to (i) the Project and the operation thereof, including without limitation those relating to employees, zoning, building, health, safety and environmental matters, and accessibility of public facilities, and (ii) the Manager.

“License Agreement” means the Franchise Agreement for Relicensed Hotel dated September 30, 2014, between the Licensor and the Corporation, as amended and supplemented from time to time, and any agreement in renewal or replacement thereof.

“Licensor” means The Sheraton LLC, and its successors and assigns, or any successor to its functions under a License Agreement.

“Loan” means any loan of proceeds of Bonds pursuant to the Loan Agreement.

“Loan Agreement” means the Loan Agreement dated as of June 1, 2001, by and between the Authority and the Hotel Corporation, as amended and restated, including by the Second Amended and Restated Loan Agreement dated as of January 1, 2015, between the Authority and the Corporation, and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture and described under the caption “LOAN AGREEMENT” in Appendix D of this Official Statement.

“Loan Default Event” means any of the events specified under the caption “LOAN AGREEMENT-Loan Default Events and Remedies” in Appendix D of this Official Statement.

“Loan Repayments” means the payments so designated and required to be made by the Hotel Corporation pursuant to the Loan Agreement and described under the heading “LOAN AGREEMENT--Repayments of Loans--*Payments to Operating Expense Account*” in Appendix D of this Official Statement.

“Lockbox Agreement” means each of the lockbox agreements entered into pursuant to the Indenture.

“Lockbox Fund” means the fund by that name established pursuant to the Indenture or required to be established pursuant to a Lockbox Agreement.

“Manager” means Interstate Management Company, LLC, a Delaware limited liability company, and its successors and assigns or any other entity that is then performing the functions of managing the Project pursuant to the Qualified Management Agreement.

“Marketing” means all activities related to marketing, sales, advertising, promotion and public relations with respect to the Project and System Hotels.

“Marks” means all trademarks, service marks, trade names, copyrights, insignia, emblems, slogans, logos, commercial symbols, signs, designs, trade dress and all other visual identification, whether in English or any other

language, by which the System and System Hotels are identified and publicized, including the good will associated with all of them.

“Material Adverse Effect” means an effect that, when considered under all surrounding circumstances, and after the passage of any applicable cure periods, (i) does or is likely to cause the Hotel Corporation to lose its status as an instrumentality described in Section 115 of the Code, (ii) does or is likely to cause the party claiming that an effect is a Material Adverse Effect to incur actual damages (excluding consequential damages, but including general damages) in excess of \$100,000, after deducting all insurance proceeds that the Hotel Corporation collected (or could reasonably have collected under existing policies by filing a timely claim) with regard to the effect, or (iii) does or is likely to adversely affect the tax-exempt status of the Bonds.

“Maximum Annual Debt Service” means the amount of Debt Service for that Bond Year during which the Debt Service for the Bonds is the largest, beginning with the next occurring April 2 and ending with the April 1 on which the last Outstanding Bonds mature by their terms.

“Months” or “months” mean, unless the context otherwise requires, full calendar months, but include any partial month in which the Opening Date, the Termination Date or expiration of the Qualified Management Agreement occurs.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Hotel Corporation, by notice to the Trustee and the Authority, and not objected to by the Authority.

“Mortgage” means that certain Mortgage, Security Agreement and Assignment of Leases, Rents and Profits dated as of June 1, 2001, between the Hotel Corporation and the Trustee, as amended, and as it may be further amended, modified and supplemented from time to time.

“Net Revenues” means, with respect to any period, net operating income less Administrative Expenses.

“October Subaccount” means the subaccount of the Debt Service Reserve Fund by that name established in the Indenture.

“October Reserve Requirement” means such amount, if any, as may be established in a Supplemental Indenture as the October Reserve Requirement, and until an amount is so established, shall mean zero dollars.

“Official Statement” means the Official Statement relating to the Series 2015 Bonds dated January 15, 2015.

“Opening Date” means the date on which the Project first opened for business to the general public.

“Operate” means the direction and supervision of the Project Employees with respect to the Operation of the Project.

“Operating Expenses” means the expenses and deductions attributable to all operating departments and undistributed operating expenses as those terms are used and defined in the Uniform System of Accounts, but only as they relate to the Operation of the Project, including without limitation:

- (a) expenses related to Manager's and its Affiliate's employees while assigned permanently or temporarily on a full-time basis at the Project;
- (b) the Base Management Fee;
- (c) the Centralized Services Fees and charges;

(d) the fees and expenses incurred to retain the Operations Consultant pursuant to the provisions of the Loan Agreement described under the heading “LOAN AGREEMENT--Particular Covenants--*Operations Consultant*” in Appendix D; and

(e) the fees and expenses payable by the Hotel Corporation pursuant to the provisions of the Loan Agreement described under the heading “LOAN AGREEMENT--Particular Covenants--*Consultant Recommendations*” in Appendix D.

(f) the Administrative Expenses of the Corporation and the Trustee; and

(g) the Executive Management Fee.

Operating Expenses do not include payments for the following or determined in accordance with the Uniform System of Accounts, as applicable:

(i) Capital Expenses or deposits to the Capital Reserve Fund;

(ii) the Taxes and Insurance Set Aside Amount;

(iii) the Lease Payments;

(iv) any expenses associated with capital leases;

(v) federal and state income taxes and Gross Receipts taxes (or their equivalent imposed by any other governmental authority having jurisdiction);

(vi) Subordinate Management Fees.

“Operating Expense Account” means the account of that name established pursuant to the Indenture or created under a Lockbox Agreement, which Account shall be funded from time to time with the moneys required to be deposited therein by the Indenture.

“Operating Month” means a calendar month.

“Operating Plan and Budget” means the assemblage of a variety of reports prepared prior to the beginning of an Operating Year by Manager and approved by the Hotel Corporation, all in accordance with the Qualified Management Agreement, that are intended to guide the operations of the Project during the upcoming Operating Year. The reports contained in the Operating Plan and Budget shall include, at a minimum, (i) the Annual Operating Budget, (ii) the Annual Marketing Plan, (iii) the Capital Budget, (iv) a cash management plan that projects working capital needs and shows attainment of a minimum Debt Service Coverage Ratio equal to the Debt Service Coverage Requirement, and (v) a personnel plan outlining staffing issues, and such other information as the Qualified Management Agreement requires or as the Hotel Corporation may specify.

“Operating Standards” means the Operation of the Project at a level comparable to operators of hotels of similar class and standing in the region in which the Project is located, and in a physical condition no less than that as of the Opening Date, taking into account the completion of any uncompleted required construction, the maintenance and repairs and Capital Improvements required throughout the Management Term, all in accordance with the Qualified Management Agreement.

“Operating Year” means each period of 12 consecutive calendar months commencing April 1 of a year, or portion thereof.

“Operation” means all aspects that are customarily the subject of the management and operation of a System Hotel, including those with respect to accounting, collections, credit policies, making arrangements with credit card organizations, maintain bank accounts, receiving, holding and disbursing funds, guestrooms, the use of Project facilities, personnel, labor relations, training, food and beverage, furniture, furnishings and equipment, OS&E, purchasing, housekeeping, kitchen and laundry, signage, maintenance and repairs, construction, public relations, life-safety, engineering, insurance, security and loss prevention, leases, licenses and concessions,

Marketing, reservations, entertainment, administration, engaging independent contractors to provide legal, accounting or other professional or technical services, the back of house and the front desk.

“Opinion of Bond Counsel” means a written opinion of an attorney-at-law or a firm of such attorneys, of nationally recognized standing in matters pertaining to the tax exempt nature of interest on obligations issued by states and their political subdivisions.

“OS&E” means all operating supplies and equipment including chinaware, glassware, linens, silverware, uniforms, utensils, inventories and other similar items used in the Operation of System Hotels.

“Outstanding,” when used as of any particular time means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture; and
- (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Ownership Transfer” means any Transfer (i) by Hotel Corporation of all or any part of the Project; or (ii) of all or any part of Hotel Corporation’s interest in the Qualified Management Agreement.

“Participant” means those broker-dealers, banks and other financial institutions for which the DTC holds bonds as securities depository.

“Party” or “Parties” means any Person or Persons who execute and deliver any Bond Document or Related Agreement.

“Permitted Encumbrances,” with respect to the property of the Hotel Corporation, means and includes:

- (1) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance now or hereafter filed of record which are not delinquent or are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired);
- (2) notices of lis pendens or other notices of pending actions which are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired);
- (3) the lien of taxes and assessments which are not delinquent, or which are being contested in good faith in accordance with the Loan Agreement;
- (4) minor defects and irregularities in title which in the opinion of the Hotel Corporation in the aggregate do not materially adversely affect the value or operation of the Hotel Corporation’s facilities for the purposes for which they are or may reasonably be expected to be used;
- (5) easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which in the aggregate do not materially interfere with or impair the operation of the Hotel Corporation’s facilities for the purposes for which they are or may reasonably be expected to be used;
- (6) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the property which do not materially impair the

operation of the Hotel Corporation's facilities for the purposes for which they are or may reasonably be expected to be used;

- (7) present or future valid zoning laws and ordinances;
- (8) liens securing indebtedness permitted to be incurred under the Loan Agreement for the payment, redemption or satisfaction of which money (or evidences of indebtedness) in the necessary amount shall have been deposited in trust with a trustee or other holder of such indebtedness;
- (9) purchase money security interests and security interests existing on any property prior to the time of its acquisition through purchase, merger, consolidation or otherwise, whether or not assumed by the purchaser thereof, or placed upon property being acquired to secure a portion of the purchase price thereof, or lessor's interests in leases (other than with respect to Sale and Leaseback Transactions) required to be capitalized in accordance with generally accepted accounting principles; provided that the aggregate principal amounts secured by any such interests shall not exceed at the time of incurrence the fair market value of the property or property rights so encumbered;
- (10) statutory liens arising in the ordinary course of business which are not delinquent or which are being contested in good faith;
- (11) liens arising by reason of good faith deposits by the Hotel Corporation in the ordinary course of business (for other than borrowed money), deposits by the Hotel Corporation to secure public or statutory obligations, or deposits to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;
- (12) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Hotel Corporation to participate in any funds established to cover insurance risks or in connection with worker's compensation, unemployment insurance, pension, or profit-sharing plans or other similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;
- (13) any judgment lien against the Hotel Corporation (other than a lien resulting from a judgment described in the Loan Agreement set forth in paragraph (n) under the heading "LOAN AGREEMENT--Loan Default Events and Remedies--*Loan Default Events*" in Appendix D) so long as such judgment is being contested in good faith and execution thereon is stayed;
- (14) liens on property received by the Hotel Corporation through gifts, grants or bequests, such liens being due to restrictions on such gifts, grants or bequests of property or the income thereon up to the fair market value of such property;
- (15) liens on property due to rights of third party payers for recoupment of amounts paid to the Hotel Corporation;
- (16) leases, sub-leases, licenses, sub-licenses or usufructuary agreements permitting the occupancy of not more than five percent of the usable square footage of the Project (net of common areas and transportation corridors) by Persons providing services functionally related and subordinate to the Operation of the Project;
- (17) any lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds; and
- (18) such matters as may be noted as exceptions in the Title Policy.

"Person" means an individual, partnership, joint venture, corporation, unincorporated association, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Corporate Trust Office” means the principal corporate trust office of the Trustee, which as of the date of the Indenture is located at 1441 Main St., Suite 775, Columbia, South Carolina 29201, Attention: Corporate Trust Administration, and such other offices as the Trustee may designate from time to time by written notice to the Holders; provided, for matters related to the registrar and paying agent functions of the Trustee, the Principal Corporate Trust Office shall mean 1525 West W. T. Harris Boulevard, Charlotte, North Carolina 28288.

“Principal Payment Date” means any date on which principal of the Bonds is required to be paid (whether by reason of maturity, redemption or acceleration).

“Project” means the Hotel and the Support Facilities.

“Project Employee” means an individual selected by Manager and employed by Manager’s Affiliate to work at, or directly in connection with the operation of, the Project.

“Project Gross Revenues” means Gross Operating Revenues plus the Convention Center Use Fees.

“Projected Debt Service Coverage Ratio” means, for any future Fiscal Year, the Debt Service Coverage Ratio as projected by a Consultant during the same Fiscal Year on all Outstanding Bonds and any Series of Bonds then proposed to be issued and to which such calculation relates.

“Property” has the meaning set forth in Appendix D under the heading “MORTGAGE--Mortgage of Property.”

“Qualified Management Agreement” means that certain Qualified Management Agreement entered into on January 17, 2011 with an effective date of April 1, 2010 by and between the Corporation and the Manager or any successor or substitute management agreement for the Project as it may be further amended and supplemented from time to time and any renewal or replacement thereof.

“Rating Category” means one of the general long-term (or short-term, if so specifically provided) rating categories of either Moody’s or S&P, without regard to any refinement or graduation of such rating category by a numerical modifier or otherwise.

“Rebate Amount” means the amount of rebatable arbitrage determined in accordance with the Tax Compliance Agreement.

“Rebate Fund” means the fund by that name established in the Indenture.

“Rebate Instructions” means those calculations and directions required to be delivered to the Trustee pursuant to the Tax Compliance Agreement.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Redemption Subaccount” means the subaccount by that name established pursuant to the Indenture.

“Refunding Bonds” means all revenue bonds of the Authority authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture, proceeds of which are used to refund Bonds.

“Regular Record Date” means the close of business on the fifteenth calendar day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

“Related Agreements” means the Site and Support Facilities Lease, the Lockbox Agreement, the Room Block Agreement, the Subordination Agreement, the Qualified Management Agreement and any and all other agreements, documents or instruments entered into by the Parties in connection with the Project.

“Reservation System” means the system for accepting and transmitting System Reservations to System Hotels through various media, including toll free numbers, Internet websites, Third Party Systems, using the applicable chain code, and other means that may be used by Manager or its affiliates from time to time for this purpose.

“Reserve Requirement” means the sum of the April Reserve Requirement and the October Reserve Requirement.

“Restrictions” means all conditions, restrictions, reservations, whether or not of record, statutes, regulations and ordinances, including, without limitation, all pollution control, environmental protection, zoning, planning and land use requirements, building codes and all restrictions and requirements imposed by the City and all other governmental entities including without limitation, the requirements of any general plan as amended, subdivision and parcel map requirements, environmental requirements in connection with use, occupancy and building permits and requirements of public utilities which affect the Site, the Project and the construction of the Project and the contemplated use of the Site.

“Restoration” means the repairing, rebuilding and replacing of the Project after its damage, destruction or Condemnation.

“Revenue Data Publication” means a report prepared by Smith Travel Research, Inc. (“STR”) of Gallatin, Tennessee, or an alternative source, reasonably satisfactory to both the Manager and the Hotel Corporation, of data regarding the rooms revenue of hotels in the general area of the Project. If, in the reasonable opinion of either Hotel Corporation or Manager, such Revenue Data Publication ceases to be a satisfactory source of data regarding the rooms revenues of various hotels in the general area of the Project, then either Hotel Corporation or Manager shall suggest an alternative competitive set or source of data for the other party's approval.

“Revenue Index Percentage” means the percentage above, equal to or below the RevPar for the hotels in the RevPar Competitive Set when compared to the RevPar of the Project. (For example, if the RevPar of the RevPar Competitive Set for the sixth Operating Year equals \$100.00 and the RevPar of the Project for the same year is \$103.00, then the Revenue Index Percentage for Operating Year six will equal 103 percent.) A target Revenue Index Percentage shall be established annually by Manager, in the Annual Marketing Plan and approved by the Hotel Corporation, depending upon the characteristics of the hotels in the RevPar Competitive Set with the goal of establishing a RevPar performance objective for the Project that is likely to be obtained. Any disagreement as to the target Revenue Index Percentage for any Operating Year shall be referred to the Expert Resolution Process for final resolution. The RevPar of the hotels in the RevPar Competitive Set shall be determined by reference to the Revenue Data Publication.

“RevPar” means, with respect to the Project, the gross room revenue per available room; with respect to any other hotel or hotels, the gross room revenues of such hotels per available room; and with respect to the definition of “RevPar Competitive Set,” the gross room revenues of such hotels per available room with respect to the applicable hotels in the RevPar Competitive Set, as published in the Revenue Data Publication.

“RevPar Competitive Set” means Marriott Myrtle Beach Resort & Spa at Grande Dunes, Hilton Myrtle Beach Resort, Embassy Suites Kingston Plantation, Springmaid Beach Resort and Convention Center and Hampton Inn at Broadway.

“Room Block Agreement” means that certain Room and Support Facilities Block Agreement by and between the City and the Corporation dated June 1, 2001, as amended and restated by the Amended and Restated Room and Support Facilities Block Agreement dated September 27, 2005, between the City and the Hotel Corporation, and as further amended from time to time.

“Sale and Leaseback Transaction” means any arrangement or transaction whereby assets are sold or transferred and thereupon or within one year thereafter are rented or leased by the original transferor.

“S&P” means Standard & Poor’s Ratings Services, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other

nationally recognized securities rating agency designated by the Hotel Corporation, by notice to the Trustee and the Authority, and not objected to by the Authority.

“Securities Depository” means, collectively, The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax (215) 496-5058; or such other securities depositories and/or addresses as the Authority may designate.

“Serial Bonds” means Bonds for which no Sinking Fund Installments are provided.

“Series” means, when used with reference to the Bonds, all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

“Sinking Fund Installments” means an amount so designated which is established pursuant to the Indenture with respect to the Series 2015 Bonds and with respect to Term Bonds included in any other Series of Bonds.

“Site” means a 2.38 acre parcel of land located adjacent to the Center at the northwest corner of Oak Street and 21st Avenue North in the City, upon which the Hotel is located.

“Site and Support Facilities Lease” means that certain Site Lease and Support Facilities Sublease dated as of June 1, 2001, between the City and the Corporation, as amended by the First Amendment to Site Lease and Support Facilities Sublease dated as of May 1, 2004, between the City and the Corporation, and by the Second Amendment to Site Lease and Support Facilities Sublease dated September 27, 2005, between the City and the Corporation, and as it may be further amended and supplemented from time to time.

“Special or Unforeseen Circumstances” means circumstances including Emergency Situations related to life safety matters, unforeseeable shortages of equipment or supplies, unusual experiences with theft or breakage, unusual fluctuating volumes of business, circumstances not reasonably anticipated by Manager when preparing the Operating Plan and Budget, and the need to comply with the requirements of Governmental Authorities having jurisdiction or of insurance carriers.

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as the record date for the payment of defaulted interest with respect to a Series of Bonds.

“Starwood” means Starwood Hotels & Resorts Worldwide, Inc., and its successors and assigns.

“Starwood Loans” means the mezzanine loan in the original principal amount of \$500,000 evidenced by a Mezzanine Loan Promissory Note executed by the Corporation in favor of Starwood dated September 27, 2005, including any renewal, modification, amendment or extension thereof.

“State” means the State of South Carolina.

“Subordinate Management Fee” means the fee designated as such and payable to the Manager pursuant to the Qualified Management Agreement.

“Subordinate Noteholders” means Interstate, so long as amounts shall be outstanding and unpaid under the Interstate Loans, and Starwood, so long as amounts shall be outstanding and unpaid under the Starwood Loans. If the provisions of the Indenture permit or require the consent of the Subordinate Noteholders to be obtained, then such consent will be deemed to be obtained when there is obtained the consent of the holders from time to time of both (i) a majority of the outstanding principal amounts of the Interstate Loans and (ii) a majority of the outstanding principal amounts of the Starwood Loans.

“Subordination Agreement” means the Subordination, Non-Disturbance, Attornment and Intercreditor Agreement dated as of January 1, 2015 among the Trustee, the Manager, the Licensor, the Hotel Corporation and

Starwood Hotels and Resorts Worldwide, Inc., or any successor or substitute subordination agreement for the Project as it may be further amended and supplemented from time to time and any renewal or replacement thereof.

“Subsequent Construction” means all Capital Improvement projects in excess of \$100,000 undertaken by Hotel Corporation relating to expanding, improving, repairing, remodeling, decorating, furnishing, equipping, renovating, rebuilding and replacing of the existing Project including projects relating to the furniture, furnishings and equipment, OS&E and interior finishes.

“Subsidiaries” means, with respect to any Person, (a) any corporation of which more than 50 percent of the issued and outstanding equity securities having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries, (b) any partnership, joint venture, limited liability company or other association of which more than 50 percent of the equity interest having the power to vote, direct or control the management of such partnership, joint venture or other association is at the time owned and controlled by such Person, by such Person and one or more of the other Subsidiaries or by one or more of such Person’s other Subsidiaries or (c) any other Person included in the financial statements of such Person on a consolidated basis.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Support Facilities” means the support facilities located within the Center, including the 31,405 square feet of meeting space, the associated pre-function and service space, the banquet kitchen and certain sales office space, which are leased, together with the Site, to the Hotel Corporation under the Site and Support Facilities Lease.

“System” means the system developed and owned by the Licensor, as modified by the Licensor from time to time, for the Operation of System Hotels of a distinctive character, including the Marks that identify System Hotels’ affiliation with the System, the Confidential and Proprietary System Information, and all good will associated with the System. For purposes of the Qualified Management Agreement, System shall include hotels branded as Sheraton hotels.

“System Hotel” means a hotel Operated in the United States that uses the System pursuant to a written agreement with the Licensor.

“System Hotel Statistics” means all information, data and statistics on System Hotels compiled by the Licensor or the Manager from that furnished to the Licensor or the Manager by System Hotels, including rates, occupancy, average daily rates, daily revenue statements, gross revenues, guest satisfaction measures, other measures of compliance with the Operating Standards, and any other information requested by the Manager in the ordinary course of the Manager’s business.

“System Information” means all information provided by the Licensor or the Manager to Corporation in the ordinary course of business, in any form, including information, knowledge, know-how, drawings, materials, technology, equipment, marketing plans, strategic plans, methods, procedures, specifications, policy manuals, operating manuals, techniques, computer programs and systems.

“System Reservation” means a reservation for a guestroom in the Project, which is processed through the Reservation System and is never canceled through the Reservation System.

“Taking” means the taking by any governmental authority (or any authority or entity acting on behalf of or purporting to act on behalf of any governmental authority) of all or any portion of the Site or Project for any purpose whatsoever or a conveyance by the Hotel Corporation in lieu thereof.

“Tax Compliance Agreement” means that certain Tax Agreement, dated as of the date of issuance of the Series 2015 Bonds, and with respect to any series of Additional Bonds, the agreement designated as such in the

Supplemental Indenture authorizing such Additional Bonds, as the same may be amended or supplemented in accordance with their respective terms.

“Taxes and Insurance Fund” means the Fund by that name created pursuant to the Indenture.

“Taxes and Insurance Set Aside Amount” means with regard to a particular month the amount budgeted for such month for real property taxes, assessments, fees or payments in-lieu-of-taxes and insurance premiums by the then-current Operating Plan and Budget and for the Operating Year in which the month falls.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Termination Date” means the date upon which the Qualified Management Agreement terminates.

“Third Party” means any Person, other than the Manager, the Licensor, the Hotel Corporation and their respective Affiliates.

“Three Percent Lease Payments” means, at any date of calculation, so long as there shall not have occurred and be continuing an Event of Nonappropriation, the amount equal to (a) three percent of room revenues, food and beverage revenues, telephone revenues and parking revenues, as determined under the Uniform System of Accounts, theretofore generated by the Project and certified to the Trustee by the Manager, minus (b) the aggregate amount previously withdrawn from the Cash Trap Fund and paid to the City pursuant to the Site and Support Facilities Lease (and accrued amounts with respect thereto), provided that if an Event of Non-Appropriation has occurred and is continuing, the portion of the Three Percent Lease Payments described in definition shall be zero.

“Title Company” means First American Title Insurance Company.

“Title Policy” means an ALTA lender’s policy of title insurance on ALTA Loan Policy (10/17/92) to be issued by the Title Company upon issuance of the 2001 Series B Bonds.

“Transaction Documents” means all agreements, contracts, documents or instruments relating to the development, construction, management or operation of the Project to which the Hotel Corporation is a party.

“Transfer” means the assignment, sale, pledge, encumbrance, creation of a lien against or other transfer in any manner, whether voluntarily, involuntarily, directly, indirectly, by operation of law or otherwise.

“Trust Estate” means:

A. All rights and interests of the Authority under and pursuant to the Loan Agreement (except the rights of the Authority under Article VII thereof and any rights of the Authority to receive notices, certificates, report or other communications or to give its consent thereunder) including, but without limiting the generality of the foregoing, the present and continuing right thereunder (i) to make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring actions and proceedings thereunder or for the enforcement thereof and (iii) to do any and all things that the Authority is or may become entitled to do under the Loan Agreement; provided that the assignment made by this clause shall not impair or diminish any obligation of the Authority under the Loan Agreement;

B. The Authority's interest in all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) and the profits, income and other moneys realized from the investment thereof, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein; and

C. The Authority's interest under the Mortgage and the Assignment Agreement, and in any and all other property, or interests therein, of every kind or description that may from time to time hereafter, by delivery or by writing of any kind be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to or deposited with the Trustee as

additional security under the Indenture by the Authority, or under the Loan Agreement by the Hotel Corporation, or by anyone on their behalf or with their written consent, respectively, or that pursuant to any of the provisions of the Indenture or the Loan Agreement may come into the possession of or control of the Trustee or a receiver appointed pursuant to the Indenture, as such additional security.

“Trustee” means U.S. Bank National Association, successor to First Union National Bank, a national banking corporation organized and existing under the laws of the United States, or its successor as Trustee as provided in the Indenture.

“UCC” means the Uniform Commercial Code as in force in the State, as such may be amended from time to time.

“Uniform System of Accounts” means the “Uniform System of Accounts for Hotels” (Hotel Association of New York City, Inc.) as revised periodically, which, as of the Effective Date of the Qualified Management Agreement, is the ninth Revised Edition, 1996, as modified by the Qualified Management Agreement and the System, and, if not addressed by any of the above, by Generally Accepted Accounting Principles. The editions to be applied to any particular matter are the editions that were in effect at the time the matters in question occurred. If a matter spans more than one edition, each such edition will apply to the matter for the period of time when such edition was in effect.

APPENDIX D
SUMMARY OF BOND DOCUMENTS

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SUMMARY OF BOND DOCUMENTS

INDENTURE

General Terms and Provisions of the Bonds

The Bonds are the special, limited obligations of the Authority and are payable as to the principal or Redemption Price thereof and interest thereon solely from amounts received from, and are secured solely by, the Trust Estate as provided in the Indenture. The Bonds and the interest thereon are not a charge against the general credit of the Authority. The Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the Authority or any of its income or receipts except the Trust Estate, which is subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof is pledged to the payment of the principal or Redemption Price of, or interest on, the Bonds. Payment of the principal or Redemption Price of, or interest on, the Bonds does not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority). The members of the Board of Directors, officers or employees of the Authority are not individually liable on the Bonds or in respect of any undertakings by the Authority under the Indenture.

General Provisions for Issuance of Bonds

All (but not less than all) of the Bonds of each Series shall be executed by the Authority for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Authority or upon its order, but only upon the receipt by the Trustee of the following items (upon which receipt the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) an Opinion of Bond Counsel to the effect that (a) the Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority; (b) the Indenture creates a valid pledge of the Trust Estate to secure the payment of the principal of, Redemption Price, if any, and interest on the Bonds subject to the application thereof for the purposes and on the terms and conditions set forth in the Indenture; (c) the Bonds of such Series constitute the valid and binding special, limited obligations of the Authority, payable solely from the Trust Estate; and (d) the delivery of the Bonds of such Series will not cause the interest on any of the Bonds issued as obligations the interest on which is exempt from taxation as gross income for federal income tax purposes to be included in gross income for federal income tax purposes;

(2) A written order as to the delivery of such Bonds, signed by an Authorized Representative of the Authority;

(3) An executed copy of the Supplemental Indenture authorizing such Bonds, certified by an Authorized Representative of the Authority to be in full force and effect, which shall, among other provisions, specify:

(a) the authorized principal amount of the Bonds of such Series and the Series designation of such Bonds;

(b) the purpose for which such Series of Bonds is being issued, which shall be solely for the purposes of (i) issuance of Additional Project Bonds, (ii) issuance of Refunding Bonds, (iii) payment of all costs incidental to or connected with any financing authorized in (b)(i) or (b)(ii) above, (iv) making deposits into the debt service reserve fund, if any, established for such Series of Bonds to equal the reserve fund requirement, if any, established with respect to such Series of Bonds, and/or (v) making any deposits into the funds and accounts required by the provision of the Supplemental Indenture authorizing such Series of Additional Bonds;

(c) the date, and the maturity date or dates, of the Bonds of such Series; provided that (i) each maturity date shall fall upon April 1, (ii) all such Serial Bonds and Term Bonds of like maturity of such Series shall be identical in all respects except as to interest rate, number and denomination, and (iii) serial maturities for Serial Bonds or Sinking Fund Installment for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Bonds of such Series on or before their respective maturity dates;

(d) the interest rate or rates on the Bonds of such Series, and the Interest Payment Dates therefor;

(e) the Authorized Denominations of and the manner of dating, numbering and lettering, the Bonds of such Series;

(f) the place or places of payment of the principal, Redemption Price, if any, of, and interest on, the Bonds of such Series;

(g) the Redemption Price or prices, if any, and, subject to the provisions of the Indenture, the redemption terms for the Bonds of such Series;

(h) if so determined by the Authority, provisions for the sale of the Bonds of such Series;

(i) whether the Bonds of such Series are to be registered in the name of a Securities Depository, or its nominee, and any provisions appropriate or necessary with respect to the arrangements made with the Securities Depository for such Bonds;

(j) the application of the proceeds of the sale of such Bonds including the amount, if any, to be deposited in the funds and accounts established under the Indenture;

(k) the forms of the Bonds of such Series and of the Trustee's certificate of authentication thereon;

(l) the Opinion of Bond Counsel required pursuant to the Indenture;

(m) an amendment to the Loan Agreement providing for the additional Loan from the Authority to the Hotel Corporation and including, among other things, any required increase in the amount of the Loan Repayments to be made thereunder; and

(n) such other provisions as are necessary and appropriate and not inconsistent herewith;

(5) The amount, if any, necessary for deposit in the Debt Service Reserve Fund so that the amount in such Fund shall be sufficient to satisfy the April Reserve Requirement and the October Reserve Requirement, each calculated as of the time of the authentication and delivery of such Series of Bonds;

(6) A certificate of an Authorized Representative of the Authority stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and applicable to the Authority; provided, however, that such certificate may state that upon the application of the proceeds of such Additional Bonds in accordance with the Supplemental Indenture authorizing their issuance, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and applicable to the Authority;

(7) A certificate of an Authorized Representative of the Hotel Corporation stating that the Hotel Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Loan Agreement and applicable to the Hotel Corporation; provided, however, that such certificate may state that upon the application of the proceeds of such Additional Bonds in

accordance with the Supplemental Indenture authorizing their issuance, the Hotel Corporation shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Loan Agreement and applicable to the Hotel Corporation;

(8) An endorsement to the Title Policy increasing the liability thereon to the then-current aggregate amount of all outstanding Loans from the Authority to the Hotel Corporation; and

(9) Such further documents, moneys and securities as are required by the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Additional Bonds" in the front part of this Official Statement, or any Supplemental Indenture entered into pursuant to the provisions of the Indenture described under "Modification or Amendment of the Indenture" herein.

All the Serial Bonds of each Series and all the Term Bonds of each Series of like maturity shall be identical in all respects, except as to denominations, numbers and letters, Holders and interest rate. After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

Medium of Payment; Form and Date; Letters and Numbers

The Bonds are payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The interest so payable with respect to any Bond on any Interest Payment Date will be paid to the person in whose name the Bond is registered as of the Regular Record Date for such Interest Payment Date, except as provided elsewhere in the Indenture. Any such interest not so punctually paid or duly provided for will cease to be payable to the Holder on such Regular Record Date and will be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of such Special Record Date being given by first-class mail to the Holders not fewer than ten days prior to such Special Record Date.

The principal of the Bonds is payable by check in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee. No payment of principal will be made on any Bond unless and until such Bond is tendered to the Trustee for cancellation.

The Bonds of each Series will be issued in the form of fully registered Bonds without coupons.

Each Bond will be lettered and numbered as provided in the Indenture with respect to the Series 2015 Bonds, or the Supplemental Indenture authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

The Bonds of each Series will be dated the date specified in the Supplemental Indenture authorizing such Series of Bonds or, with respect to the Series 2015 Bonds, as provided in the Indenture. The Bonds of each Series shall bear interest from their date.

Unless otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, the interest payable on Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

Legends

The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Authority prior to the authentication and delivery thereof.

Interchangeability of Bonds

Bonds, upon surrender thereof at the Principal Corporate Trust Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee and duly executed by the Holder or his attorney duly authorized in writing, may, at the option of the Holder thereof, and upon payment by such Holder of any charges which the Trustee may make as provided in the Indenture, be exchanged for an equal aggregate principal amount of Bonds of the same Series, terms, and maturity of any other Authorized Denominations.

Bonds Mutilated, Destroyed, Stolen or Lost

If any Bond becomes mutilated or is lost, stolen or destroyed, the Authority will execute and the Trustee will authenticate and deliver a new Bond of like Series, date of issue, maturity date, principal amount and interest rate per annum as the Bond so mutilated, lost, stolen or destroyed; provided that (i) in the case of any mutilated Bond, such Bond is first surrendered to the Authority or the Trustee, (ii) in the case of any lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity satisfactory to the Trustee, (iii) all other reasonable requirements of the Authority and the Trustee are complied with, and (iv) expenses in connection with such transaction are paid by the Holder. Any Bond surrendered for exchange are cancelled. Any such new Bonds issued pursuant to the Indenture in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and are equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under the Indenture, in any moneys or securities held by the Authority or the Trustee for the benefit of the Holders of the Bonds.

Cancellation and Destruction of Bonds

All Bonds paid or redeemed, either at or before maturity, and all Bonds surrendered for transfer or exchange, are delivered to the Trustee when such payment, redemption or surrender is made, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who will execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the Authority if it so requests and the other executed certificate shall be retained by the Trustee.

Indenture Provisions With Respect to Certain Funds and Accounts

Transfers Between Funds and Accounts

After making the deposits, transfers and payments prior to 1:00 p.m. on the first Business Day of each month in accordance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Funds and Accounts--*Flow of Available Revenues*" in the front part of this Official Statement, the Trustee shall make further transfers from the following Funds and Accounts in the following order of priority, as more generally described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Funds and Accounts--*Deficiencies Within Funds and Accounts*" in the front part of this Official Statement:

Capital Reserve Primary Account

If on the first Business Day of any month the amount in the Operating Expense Account shall be less than the sum of \$1,500,000 or such greater amount as may be directed in writing by the Hotel Corporation, and there is not on deposit in the Cash Trap Fund available moneys sufficient to cure any such deficiency, then the Trustee shall transfer from the Capital Reserve Primary Account and deposit in the Operating Expense Account the amount necessary (or all the moneys in the Capital Reserve Primary Account if less than the amount necessary) to make up the deficiency in such Account. If during the Operating Month the Trustee shall receive an Additional Funding Request, and there is not on deposit in the Cash Trap Fund available moneys sufficient to pay the amount so requested, the Trustee shall transfer from the Capital Reserve Primary Account and deposit in the Operating Expense Account, the amount (or all the moneys in the Capital Reserve Primary Account if less than such amount)

required, together with amounts transferred pursuant to the provisions of the Indenture described in the second sentence of the first paragraph of the subheading “Cash Trap Fund” under this caption “Indenture Provisions With Respect to Certain Funds and Accounts--*Transfers Between Funds and Accounts*,” to be paid in response to such Additional Funding Request.

If on the first Business Day of any month, after making the deposits required under the Indenture on such date, the amount in the Debt Service Reserve Account shall be less than the Reserve Requirement, and there is not on deposit in the Cash Trap Fund available moneys sufficient to cure any such deficiency, then the Trustee shall, after funding any required payments under the provisions of the Indenture described in the foregoing paragraph, transfer from the Capital Reserve Primary Account and deposit in the applicable subaccount of the Debt Service Reserve Account the amount necessary (or all the moneys in the Capital Reserve Primary Account if less than the amount necessary) to make up a deficiency in such Account.

Cash Trap Fund

If on the first Business Day of any month the amount in the Operating Expense Account shall be less than the sum of \$1,500,000 or such greater amount as may be directed in writing by the Hotel Corporation, then the Trustee shall transfer from the Cash Trap Fund and deposit in the Operating Expense Account the amount necessary (or all the moneys in the Cash Trap Fund if less than the amount necessary) to make up the deficiency in such Account. If during the Operating Month the Trustee shall receive an Additional Funding Request the Trustee shall transfer from the Cash Trap Fund and deposit in the Operating Expense Account, the amount (or all the moneys in the Cash Trap Fund if less than such amount) required to be paid in response to such Additional Funding Request.

If, on a date on which interest on the Bonds is payable, or any other date on which the principal or Redemption Price of, or interest on Bonds is due (except for a date on which amounts are due for the redemption of Bonds not from Sinking Fund Installments), after making the deposits required under the Indenture to be made on such date, the amount in the Debt Service Subaccount shall be less than the Accrued Aggregate Debt Service on the Bonds for the current Bond Year, then the Trustee shall, after taking into account any required payments made pursuant to the Indenture, transfer from the Cash Trap Fund and deposit in the Debt Service Subaccount the amount necessary (or all the moneys in the Cash Trap Fund if less than the amount necessary) to make up the deficiency in such Subaccount.

If on the first Business Day of any month, after making the deposits required under the Indenture on such date, the amount in the Debt Service Reserve Fund shall be less than the Reserve Requirement, then the Trustee shall, after funding any required payments under the provisions of the Indenture described under the two foregoing paragraphs, transfer from the Cash Trap Fund and deposit in the applicable subaccount of the Debt Service Reserve Fund the amount necessary (or all the moneys in the Cash Trap Fund if less than the amount necessary) to make up a deficiency in such Fund.

If on the first Business Day of any month, the amount in the Additional Loan Fund shall be less than the requirement of such Fund pursuant to the Indenture, after taking into account any required payments made pursuant to the preceding two paragraphs, then the Trustee shall transfer from the Cash Trap Fund and deposit in the Additional Loan Fund the amount necessary (or all the moneys in the Cash Trap Fund if less than the amount necessary) to make up the deficiency in such Fund.

If all amounts payable pursuant to the preceding four paragraphs have been paid, the Hotel Corporation may, upon receipt by the Trustee of a Cash Trap Fund Requisition direct on the second Business Day of a month until the last Business Day of such month the Trustee to apply amounts in the Cash Trap Fund (i) to the payment of the Three Percent Lease Payments, the Subordinate Management Fee, the Convention Center Use Fee, any Project expenses and costs of Capital Improvements or other costs in connection with the refurbishment, improvement or expansion of the Project, provided that (a) no Event of Default has occurred and is then continuing and (b) all Funds and Accounts created under the Indenture and the Lockbox Agreement shall have been on the first Business Day of such month funded to their required levels, and (ii) to the payment to the Hotel Corporation or the City for such purposes as the Hotel Corporation may determine, including, but not limited to, the payment to the City of Additional Lease Payments and the reimbursement of the City for amounts contributed to the Debt Service Reserve Fund, provided that (a) no Event of Default has occurred and is then continuing, (b) the Trustee shall have received

a Certificate of the Authorized Representative of the Hotel Corporation to the effect that the Debt Service Coverage Ratio for the most recently completed Operating Year for which the Debt Service Coverage Ratio has been required to be calculated pursuant to the Loan Agreement shall have been at least 1.25:1.0 and (c) all Funds and Accounts created under the Indenture and the Lockbox Agreement shall have been on the first Business Day of such month funded to their required levels. The Trustee may conclusively rely on such Cash Trap Fund Requisition and need not conduct an independent investigation as to such matters.

Notwithstanding any contrary provision contained in the Indenture, amounts on deposit in the Cash Trap Fund shall be transferred and applied to pay or redeem the Bonds in accordance with the provisions of the Indenture described in the second or third paragraphs under the captions “THE SERIES 2015 BONDS--Redemption Provisions--*Optional Redemption*” upon the accrual of moneys sufficient to do so, as provided therein.

Investment of Moneys in Funds and Accounts

All moneys in any of the Funds and Accounts established pursuant to the Indenture except the Operating Expense Account and the Redemption Subaccount shall be invested as directed by the Hotel Corporation in writing, solely in Investment Securities. If the Trustee fails to receive such directions at least one Business Day before the day on which any amounts are required to be invested, the Trustee shall invest such amounts in Investment Securities described in clause (vi) of the definition thereof.

All interest, profits, and other income received from the investment of moneys in any Fund or Account (other than the Rebate Fund) established pursuant to the Indenture shall be deposited in the Operating Expense Account unless otherwise directed in writing by the Hotel Corporation. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund or Account from which such accrued interest was paid. Investment Securities acquired as an investment of moneys in any Fund or Account established under the Indenture shall be credited to such Fund or Account and shall be valued at amortized cost.

Lockbox Agreement

At the option of the Hotel Corporation, in lieu of utilization of the Lockbox Fund established by the Trustee pursuant to the Indenture, the Hotel Corporation, the Authority, the Trustee, the Manager and the Depository Bank, as appropriate, may enter into an agreement or agreements to provide for the maintenance of a Lockbox Fund (including the Operating Expense Account) to be held by the Depository Bank. Any such agreement or agreements shall provide for the deposit of Project Gross Revenues in the Operating Expense Account held by the Depository Bank pursuant to the Lockbox Agreement on substantially the same terms and conditions as the provisions governing such matters contained in the Loan Agreement and the Indenture. Any such agreement or agreements shall also provide for a perfected first priority security interest or, as applicable, first priority chattel mortgage lien, and first lien in favor of the Trustee of any funds and accounts established pursuant thereto and shall otherwise be in form and content acceptable to all parties thereto. The Trustee shall not enter into new, substitute or replacement lockbox agreements inconsistent with the Indenture.

Particular Covenants

Punctual Payment

The Authority shall punctually cause to be paid the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of amounts received from the Trust Estate as provided in the Indenture.

Extension of Payment of Bonds

Subject to the provisions of the Indenture described under the caption “Modification or Amendment of the Indenture--*Supplemental Indentures With Holders' Consent*,” the Authority may not directly or indirectly extend or

assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by any arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. This does not limit the right of the Authority to issue obligations for the purpose of refunding any Outstanding Bonds, and such issuance may not be deemed to constitute an extension of maturity of Bonds.

Against Encumbrances

The Authority may not create or permit the creation of any pledge, lien, charge or other encumbrance upon the Trust Estate while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture, and will cooperate with the Trustee in the event the Trustee contests any such pledge, lien, charge or other encumbrance. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and the Loan Agreement and to pledge and assign the Trust Estate under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are the legal, valid and binding limited obligations of the Authority in accordance with their terms, and the Authority and Trustee, at the expense of the Hotel Corporation, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Trust Estate against all claims and demands of all Persons whomsoever.

Accounting Records and Financial Statements

The Trustee will keep, or cause to be kept, proper books of record and account as will be consistent with prudent corporate trust industry practice, in which complete and accurate entries are made of all transactions made by it relating to the proceeds of Bonds and the Trust Estate. Such books of record and account are available for inspection, upon prior request, by the Authority, the Hotel Corporation and any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances with reasonable prior notice. The Trustee will furnish to the Authority and the Hotel Corporation within 15 days after the end of each month, a statement (which need not be audited) covering receipts, disbursements, allocation and application of amounts received from the Trust Estate pursuant to the Indenture for such month.

Tax Covenants

The Authority will do all things permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) issued as obligations the interest on which is exempt from taxation as gross income for federal income tax purposes will be excluded from gross income for federal income tax purposes and will take no action and will not fail to take any action under the Indenture, as the case may be, that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Compliance Agreement. This covenant will survive payment in full or defeasance of the Bonds.

Enforcement and Amendment of Loan Agreement

The Trustee will exercise all rights assigned to it pursuant to the Loan Agreement and, in the case of an Event of Default of which it is deemed to have notice under the Indenture, will, subject to the provisions of the Indenture, enforce and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority and all of the obligations of the Hotel Corporation under the Loan Agreement.

The Authority will not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the written consent of the Trustee. The Trustee will give

such written consent only if (1) such amendment, modification or termination will not materially adversely affect the interests of the Bondholders or result in any material impairment of the security hereby given for the payment of the Bonds, (2) in the Opinion of Bond Counsel such amendment, modification or termination is required to preserve, protect or defend, with respect to Bonds issued as obligations the interest on which is exempt from taxation as gross income for federal income tax purposes, the exclusion of interest on such Bonds from gross income for federal income tax purposes, or (3) the Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Project Gross Hotel Revenues to be transferred to the Trustee by the Hotel Corporation pursuant to the Loan Agreement, or extend the time for making such transfer without the written consent of all of the Holders of the Bonds then Outstanding.

Waiver of Laws

The Authority may not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law in force that may affect the covenants and agreements contained in the Indenture, the Loan Agreement or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

Further Assurances

The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, the Loan Agreement and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Indenture.

Events of Default and Remedies of Bondholders

Events of Default

The following are Events of Default under the Indenture:

(A) default in the due and punctual payment of the principal or Redemption Price of Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment becomes due and payable;

(C) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority and the Hotel Corporation by the Trustee, or to the Authority, the Hotel Corporation and the Trustee by the Holders of a majority in aggregate principal amount of the Outstanding Bonds;

(D) a Loan Default Event;

(E) an event of default by the Hotel Corporation, after any applicable cure periods, under the Qualified Management Agreement, the Lockbox Agreement, the Site and Support Facilities Lease or any other Financing Document.

Upon actual knowledge of the existence of any Event of Default, the Trustee shall notify the Hotel Corporation, the Manager and the Authority in writing as soon as practicable, but in any event within five Business Days; provided, however, that the Trustee need not provide notice of any Loan Default Event if the Hotel Corporation has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the Trustee and the Authority. The Trustee shall recognize any cure of an Event of Default by the Manager.

Acceleration of Maturities

If an Event of Default occurs and is continuing, the Trustee, at the request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall, upon notice in writing to the Authority and the Hotel Corporation, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the Hotel Corporation will deposit with the Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, including fees and expenses, of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision reasonably deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the Hotel Corporation and the Trustee, or the Trustee if such declaration was made by the Trustee without a request by the Holders of a majority in aggregate principal amount of the Bonds, may, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; provided that notwithstanding the foregoing, the Holders of at least 75 percent in aggregate principal amount of the Bonds then Outstanding may annul any such declaration without satisfaction of such conditions. No such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Other Remedies

If an Event of Default shall occur and be continuing, the Trustee shall notify the Holders of such Event of Default by first class mail, which notice will describe the facts and circumstances of such Event of Default and will request the written consent of such Holder to the commencement of foreclosure proceedings under the Mortgage by private sale or judicial foreclosure and to the exercise of the remedy described in the following four paragraphs. Upon receipt of the written (and unrescinded) consents of the Holders of not less than a majority in aggregate principal amount of Bonds, and upon being indemnified to its satisfaction for the costs, expenses and liabilities relating thereto, the Trustee shall commence foreclosure of the Mortgage.

If an Event of Default has occurred and is continuing, prior to or in lieu of commencing foreclosure proceedings, the Trustee may, upon receipt of the written (and unrescinded) consent or request of the Holders of a majority in aggregate principal amount of Bonds, (i) enter into such agreements or other arrangements as the Trustee and a majority of such Holders determine, in their discretion, to be necessary or appropriate either to retain the Manager under the existing Qualified Management Agreement or make modifications to said Qualified Management Agreement or (ii) enforce all rights of the Hotel Corporation under the Qualified Management Agreement, including the right to terminate and replace such parties and enter into a new management or operating agreement which is reasonable under the circumstances and necessary and appropriate to (a) maximize the current and long term value of the Project, (b) maximize Net Revenues, and (c) enhance the overall operating efficiency of the Project.

If an Event of Default has occurred and is continuing, the Trustee in its discretion may, or at the written (and unrescinded) request of the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding shall, take such actions, including the filing and prosecution of lawsuits, as may be required to enforce and exercise remedies under the terms of any agreements or instruments relating to the Project which the Trustee may be entitled to enforce or exercise, including without limitation (i) the Site and Support Facilities Lease, (ii) the Qualified Management Agreement (iii) any construction contracts, design contracts or consulting contracts or operating agreements, (iv) any insurance policies, and (v) the Assignment of Leases, Rents and Profits and any other agreements or instruments which the Trustee may be entitled to enforce.

Upon an Event of Default, and subject to the provisions of the Indenture and the Assignment Agreement, the Trustee shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, (i) either jointly with the Authority or separately all of the rights of the Authority and all of the obligations of the Hotel Corporation under the Loan Agreement and any Lockbox Agreement, (ii) all rights of the Hotel Corporation under the Qualified Management Agreement and the Site and Support Facilities Lease, and (iii) the rights of the Trustee and the Bondholders under the Mortgage, the Assignment of Leases, Rents and Profits and any other Financing Document.

If an Event of Default has occurred and is continuing, the Trustee shall, at the written (and unrescinded) request of the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding shall do the following:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce its rights or the rights of the Holders, and bring suit on behalf of the Holders for any cause of action accruing to the Holders with respect to any Financing Document including the right to receive and collect payment on the Bonds;

(ii) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders;

(iii) as a matter of right, have a receiver or receivers appointed for the amounts receivable from the Trust Estate and other funds and assets pledged under the Mortgage and for the earnings, income, issues, products, profits and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and

(iv) take such action with respect to any Investment Securities or any agreements or instruments which it may be entitled to enforce as the Trustee shall deem necessary and appropriate, subject to the Indenture and to the term of such agreements, instruments or Investment Securities.

Notwithstanding any contrary provision of the Indenture, the Trustee shall not exercise any remedy in respect of an Event of Default (other than taking custody of the Lockbox Fund pursuant to the provisions of the Loan Agreement described under the caption "LOAN AGREEMENT--Repayment of Loans--*Security for Repayment: Gross Revenue Pledge and Mortgage*" herein) unless it has received the written and unrescinded consents or requests of the Holders of a majority in aggregate principal amount of Bonds Outstanding and upon being indemnified to its satisfaction for costs, expenses and liabilities related thereto.

Application of Amounts Received From Trust Estate After Default

(a) If an Event of Default shall occur and be continuing, all amounts received from the Trust Estate and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding Debt Service which shall be applied solely as provided in clause (C) herein), after any required deposits to the Rebate Fund, are applied by the Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(B) To the payment of Operating Expenses;

(C) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest on Bonds then due in the order of the maturity of such installments, 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, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, 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.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal or Redemption Price and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest or Redemption Price, or of interest over principal or Redemption Price, or of Redemption Price over principal or interest, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal, Redemption Price and interest, to the Persons entitled thereto without any discrimination or preference; and

(D) Subject to the provisions of the last two sentences of this paragraph (D), to the payment to the Persons entitled thereto of all installments of interest and the unpaid principal on the Additional Loans which shall have become due, whether at maturity or upon acceleration thereof, with the interest on the overdue payments at the rates borne by the respective Additional Loans, and subject to the provisions of the last two sentences of this paragraph (D), if the amount available shall not be sufficient to pay in full all of the Additional Loans, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference. Any payments to be made to the holders of Additional Loans shall be made as directed in writing by the Hotel Corporation to the Trustee based on the Hotel Corporation's written certification and representation to the Trustee as to relative priorities of the Additional Loans as set forth in the applicable loan instrument. Notwithstanding anything to the contrary herein, unless the Subordinate Noteholders consent, the principal and interest due on the Interstate Loans and the Starwood Loans will be subject to payment prior to any other Additional Loan.

Whenever moneys are to be applied pursuant to the provisions of the Indenture described under this caption “--*Application of Amounts Received From Trust Estate After Default*,” such moneys will be applied at such times, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it will fix the date (which shall be an Interest Payment Date unless the Trustee will deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee will give such notice as it may deem appropriate of the deposit of any such moneys and of the fixing of such date, and shall not be required to make payment to the owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Trustee to Represent Bondholders

The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, are conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and

remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Loan Agreement, the Qualified Management Agreement, the Lockbox Agreement, the Mortgage, the Assignment of Leases, Rents and Profits, any other Financing Document, the Act and the terms of any agreements or instruments relating to the Project, including without limitation (i) the Site and Support Facilities Lease, (ii) any construction contracts, design contracts or consulting contracts or operating agreements, (iv) any insurance policies, surety bonds or completion guaranties and (v) any other agreements or instruments which the Trustee may be entitled to enforce, and applicable provisions of any other law. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Notwithstanding the foregoing, the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds shall have the right, after furnishing indemnity for costs and liabilities arising therefrom reasonably satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder; provided that such direction shall not be in conflict with any rule of law or with the Indenture. Without limitation of the foregoing, any such remedial proceeding may include forbearance or non-action on the part of the Trustee, the acceptance by the Trustee, as mortgagee under the Mortgage, of a deed in lieu of foreclosure, the sale of the property covered by the Mortgage free of the lien thereof for an amount less than the amounts due with respect to the Bonds, and the waiver of claims or the granting of a covenant not to sue.

Limitation on Bondholders' Right to Sue

No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Loan Agreement, the Qualified Management Agreement, the Lockbox Agreement, the Mortgage, the Assignment of Leases, Rents and Profits, any other Financing Document, the Act and the terms of any agreements or instruments relating to the Project which the Trustee may be entitled to enforce, including without limitation (i) the Site and Support Facilities Lease, (ii) any construction contracts, design contracts or consulting contracts or operating agreements, (iii) any insurance policies, surety bonds or completion guaranties, (iv) any other agreements or instruments which the Trustee may be entitled to enforce, and (v) applicable provisions of any other law, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Absolute Obligation of Authority

Subject to the provisions of the Indenture described in the first paragraph under the caption "Modification or Amendment of the Indenture--*Supplemental Indentures With Holders' Consent*," nothing in the Indenture or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the amounts received from the Trust Estate, which are to be provided by the Hotel Corporation, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings

In case any proceedings taken by the Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, then in every such case the Authority, the Trustee and the Bondholders, subject to any determination in such proceedings, are restored to their former positions and rights under the Indenture, severally

and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bondholders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, is cumulative and in addition to any other remedy given under the Indenture or existing at law or in equity or otherwise.

No Waiver of Default

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Modification or Amendment of the Indenture

Supplemental Indentures Without Holders' Consent

The Authority and the Trustee may, from time to time and at any time, enter into Supplemental Indentures without consent of or notice to any of the Holders, for any one or more of the following purposes: (1) to cure any formal defect, inconsistency, omission or ambiguity in the Indenture; (2) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as then in effect; (3) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect; (4) to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect; (5) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Indenture of the Trust Estate, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral; (6) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of the Bonds for sale under the securities laws of any state or of the United States of America or of the Indenture under the Trust Indenture Act of 1939, as amended; (7) to evidence the appointment or succession of a new Trustee under the Indenture; (8) to issue Additional Bonds, consistent with the provisions of the Indenture and to set forth matters with respect to such Bonds as contemplated by the Indenture and to make any changes or amendments necessary to accommodate such Additional Bonds; and (9) to make any change (including changes to reflect any amendment to the Code or interpretations by the Internal Revenue Service of the Code) that does not materially adversely affect the rights of any Holder.

Before the Authority and the Trustee shall enter into any Supplemental Indenture, there shall have been filed with the Trustee an Opinion of Bond Counsel, satisfactory to the Trustee, to the effect that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution and delivery it will be valid and binding upon the Authority in accordance with its terms.

Supplemental Indentures With Holders' Consent

Except for any Supplemental Indenture entered into without Holders' consent and subject to the terms and provisions of the Indenture, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected thereby have the right from time to time, to consent to and approve the execution by the Authority and the Trustee of any Supplemental Indenture as deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing contained in the Indenture shall permit or be construed as permitting, without the consent of each Holder adversely affected thereby, (1) a change in the times, amounts or currency of payment of the principal or Redemption Price of, or interest on,

any Bond, or a change in the terms of redemption or maturity of the principal of or the interest on any Bonds, or a reduction in the principal amount of or the Redemption Price of any Bond or the rate of interest thereon, or any extension of the time of payment thereof, without the consent of the Holder of such Bond, or (2) the creation of a lien upon or a pledge of the Trust Estate ranking prior to or on a parity with the lien or pledge created by the Indenture, or (3) a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as otherwise contemplated by the Indenture, or (4) a reduction in the percentage of the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (5) an impairment of the exclusion from gross income for federal income tax purposes of interest on any Bond issued as an obligation the interest on which is exempt from taxation as gross income for federal income tax purposes.

Notwithstanding the foregoing provisions, at any time while an Event of Default is continuing, any amendment which would otherwise require the consent of the Holders of all Bonds then Outstanding and adversely affected by such change shall require the consent only of the Holders of 75 percent in aggregate principal amount of the Bonds then outstanding and adversely affected by such change.

If at any time the Authority and the Trustee shall determine to enter into any Supplemental Indenture for any of the purposes described above, the Trustee shall cause notice of the proposed Supplemental Indenture to be mailed by registered or certified mail, postage prepaid, to the Holders of the Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the Principal Corporate Trust Office for inspection by all Holders.

After the date of the mailing of such notice, the Authority and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice, only if there shall have first been filed with the Trustee (1) the written consents of the requisite Holders as required by the first paragraph under this caption “--*Supplemental Indentures With Holders' Consent*,” and (2) the Opinion of Bond Counsel satisfactory to the Trustee as provided in the Indenture.

If the requisite Holders shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bond shall have any right to object to the execution and delivery of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin and restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Endorsement of Bonds; Preparation of New Bonds

Bonds delivered after the execution of any Supplemental Indenture may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for the purpose of obtaining such notation at the Principal Corporate Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation will be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared by the Trustee at the expense of the Hotel Corporation and executed by the Authority and authenticated by the Trustee, and upon demand of the Holders of any Bonds then Outstanding will be exchanged at the Principal Corporate Trust Office, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

Amendment of Particular Bonds

These provisions will not prevent any Bondholder from accepting any amendment as to the particular Bonds held by such Bondholder, provided that due notation thereof is made on such Bonds.

Amendments, Etc. of the Amendable Documents Not Requiring Holders' Consent

The Authority and the Trustee may, from time to time and at any time, enter into any amendment, change or modification of the Loan Agreement, Mortgage, Assignment of Leases, Rents and Profits, Site and Support

Facilities Lease and Room Block Agreement (the “Amendable Documents”), as the case may be, without consent of or notice to any of the Holders, as may be required or otherwise permitted by the provisions of the Amendable Documents or the Indenture, for any one or more of the following purposes: (1) to cure any formal defect, inconsistency, omission or ambiguity in the Amendable Documents; (2) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as then in effect; (3) to add to the covenants and agreements of the parties in the Amendable Documents other covenants and agreements to be observed by the parties which are not contrary to or inconsistent with the Indenture and the Amendable Documents as theretofore in effect; (4) to add to the limitations and restrictions in the Amendable Documents other limitations and restrictions to be observed by the parties which are not contrary to or inconsistent with the Indenture and the Amendable Documents as theretofore in effect; (5) to modify, amend or supplement the Amendable Documents in such manner as to permit the qualification of the Bonds for sale under the securities laws of any state or of the United States of America or of applicable Amendable Documents under the Trust Indenture Act of 1939, as amended; (6) to evidence the appointment or succession of a new Trustee under the Indenture; (7) to set forth matters with respect to any Additional Bonds issued under the Indenture as contemplated thereby and to make any changes or amendments necessary to accommodate such Additional Bonds; and (8) to make any change (including changes to reflect any amendment to the Code or interpretations by the Internal Revenue Service of the Code) that does not materially adversely affect the rights of any Holder.

Amendments, Etc. of the Amendable Documents Requiring Holders’ Consent

Except for the amendments, changes or modifications as provided in the provisions of the Indenture described under the caption “*Amendment, Etc. of the Amendable Documents Not Requiring Holders’ Consent*” above, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected thereby shall have the right from time to time, to consent to and approve the execution by the Authority and the Trustee, as the case may be, of any other amendment, change or modification of the Amendable Documents.

If at any time the Authority and the Trustee shall determine to enter into any amendment, change or modification of an Amendable Document for any of the purposes described under this caption, the Trustee shall cause notice of the proposed amendment, change or modification to be mailed by registered or certified mail, postage prepaid, to the Holders of the Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that a copy thereof is on file at the Principal Corporate Trust Office for inspection by all Holders.

After the date of the mailing of such notice, the Authority and the Trustee may enter into such amendment, change or modification in substantially the form described in such notice, only if there shall have first been filed with the Trustee (1) the written consents of Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and (2) the Opinion of Bond Counsel satisfactory to the Trustee as provided in the Indenture.

If the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected by such amendment, change or modification shall have consented to and approved the execution of an amendment, change or modification of an Amendable Document as described herein, no Holder of any Bond shall have any right to object to the execution and delivery of such amendment, change or modification, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin and restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Defeasance

Discharge of Indenture

The Bonds of any Series may be paid by the Authority or the Trustee on behalf of the Authority in any of the following ways:

- (A) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds of such Series then Outstanding, as and when the same become due and payable;
- (B) by depositing with the Trustee, in trust, at or before maturity, money or Government Obligations in the necessary amount to pay when due or redeem all Bonds of such Series then Outstanding; or
- (C) by delivering to the Trustee, for cancellation by it, all Bonds of such Series then Outstanding.

If the Authority shall pay the Bonds of all Series in the manner specified above and shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of amounts received from the Trust Estate made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except as provided below under the caption “Defeasance--*Discharge of Liability on Bonds.*” In such event, upon the request of the Authority or the Hotel Corporation, the Trustee will cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Hotel Corporation all moneys or securities or other property held by it pursuant to the Indenture that are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Notwithstanding the satisfaction and discharge of the Indenture, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, optional redemption of the Bonds (to the extent expressly preserved in any applicable escrow agreement), exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, tax covenants of the Authority, and the duties of the Trustee in connection with all of the foregoing, remain in effect and are binding upon the Trustee and the Holders and the Trustee shall, subject to applicable laws relating to unclaimed moneys, continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and Redemption Price, if any, of and interest on the Bonds, to pay to the Holders of Bonds the funds so held by the Trustee as and when such payment becomes due, and those provisions of the Indenture relating to the compensation and indemnification of the Trustee shall remain in effect and are binding upon the Trustee and the Authority.

Discharge of Liability on Bonds

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount as described under the caption “Defeasance--*Deposit of Money or Securities with Trustee*” to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the date fixed for redemption of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate, become void and be completely discharged and satisfied, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Bond by the Authority and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, provided, further, however, that the provisions under the caption “Defeasance--*Payment of Bonds After Discharge of Indenture.*”

Deposit of Money or Securities with Trustee

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the date fixed for redemption; or

(B) Government Obligations described in clauses (a) or (b) or the definition thereof (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the date fixed for redemption, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by request of the Authority or the Hotel Corporation) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds; and provided further, that with respect to the deposit of Government Obligations pursuant to subsection (B), the Trustee shall have received (A) the report of an Accountant to the effect that the amount deposited is sufficient to make the payments specified in the Indenture with respect to such Bonds, (B) an escrow agreement in form and substance satisfactory to the Trustee, and (C) an Opinion of Bond Counsel in form and substance satisfactory to the Trustee to the effect that the payment of such Bonds has been provided for in the manner set forth in the Indenture and that all obligations of the Authority with respect to such Bonds shall have ceased, terminated, become void and completely discharged and satisfied, except only as provided in the defeasance provisions of the Indenture relating to discharge of liability on Bonds, and that the payment of such Bonds will not have a material adverse effect on the tax exemption applicable to such Bonds. Each verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority and the Trustee. If the United States Government Obligations deposited pursuant to the provisions of the Indenture described in clause (B) of this caption "*Deposit of Money or Securities With Trustee,*" are direct obligations of the United States Treasury, then such obligations may not be substituted with United States Government Obligations that are not direct obligations of the United States Treasury without the prior written consent of the Holders of a majority in aggregate principal amount of Bonds secured by such escrow agreement.

Payment of Bonds After Discharge of Indenture

Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for two years after the principal of or interest on the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, be repaid to the Hotel Corporation free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Hotel Corporation as aforesaid, (i) the Trustee shall (at the cost of the Hotel Corporation) first mail to the Holders of any Bonds remaining unpaid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Hotel Corporation of the moneys held for the payment thereof, and (ii) the Hotel Corporation shall expressly agree to indemnify the Authority and the Trustee

with respect to the payment of any Bonds so payable and not presented for payment as of the date of such repayment to the Hotel Corporation.

Other Provisions

Liability of Authority Limited to Amounts Available From the Trust Estate

Notwithstanding anything in the Indenture or in the Bonds to the contrary, the Authority shall not be required to advance any moneys derived from any source other than the amounts received from the Trust Estate for any of the purposes of the Indenture, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of the Indenture. The Bonds are special, limited obligations of the Authority, payable solely from amounts received from the Trust Estate under the Indenture and moneys held by the trustee in certain funds and accounts under the Indenture. The Authority has no taxing powers. The Bonds shall never constitute an indebtedness of the State, the City, the Authority, or any agency, department or political subdivision of the State, within the meaning of any state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability or an obligation (legal, moral or otherwise) of the State, the City, or any agency, department or political subdivision of the State or a charge against the general credit or taxing power of the State, the City, the Authority, or any agency, department or political subdivision of the State.

Evidence of Rights of Bondholders

Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and are signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, will be sufficient for any purpose of the Indenture and will be conclusive in favor of the Trustee and of the Authority if made in the manner provided in the Indenture.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds are proved by the bond registration books held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Disqualified Bonds

In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the Authority, the City, the Hotel Corporation, the Manager or by any obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Hotel Corporation, the Manager or any obligor on the Bonds, will be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for these purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the City, the Hotel Corporation, the Manager or any obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee.

Money Held for Particular Bonds

The money held by the Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) will, on and after such date and pending such payment be set aside on its books and held in trust uninvested by it for the Holders of the Bonds entitled thereto.

LOAN AGREEMENT

Loan of Proceeds

The Authority will lend to the Hotel Corporation, and the Hotel Corporation will borrow from the Authority a loan in the amount of the aggregate principal amount of the Series 2015 Bonds to be applied under the terms and conditions of the Loan Agreement and the Indenture. The Hotel Corporation agrees to repay to the Authority the par value of the Series 2015 Bonds, plus any redemption premium and accrued interest, and to assign the Gross Revenues and the Hotel Corporation's interest in the funds and accounts created under the Indenture, to assign, together with the Manager, rights under certain contracts to the Trustee pursuant to the Assignment Agreement, and to grant a mortgage and security interest in its interests in the Project, to collateralize the Hotel Corporation's obligations under the Loan Agreement with respect to the Project to the Trustee pursuant to the Mortgage.

Repayment of Loans

Payments to Operating Expense Account

In consideration of the issuance of the Bonds by the Authority and the loan of the proceeds thereof to the Hotel Corporation, the Hotel Corporation agrees that the Hotel Corporation shall pay or cause to be paid to or deposit or cause to be deposited with the Trustee (for deposit in the Operating Expense Account) the Project Gross Revenues (the "Loan Repayments"). Each such payment by the Hotel Corporation to the Trustee shall be in immediately available funds and paid to the Trustee at its Principal Corporate Trust Office, and held, invested, disbursed and applied as provided in the Indenture. Loan Repayments paid from Project Gross Revenues shall at a minimum, be required to be in an amount sufficient to fund (1) on the first Business Day of each October the amounts required in paragraphs (a) through (c) under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Funds and Accounts--Flow of Available Revenues" in the front part of this Official Statement, and the amount necessary to pay Debt Service on the Series 2015 Bonds on the first Business Day of each October; and (2) on the first Business Day of each April the amounts required to be on deposit by paragraphs (a) through (f) under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Funds and Accounts--Flow of Available Revenues" in the front part of this Official Statement.

Security for Repayment: Project Gross Revenue Pledge and Mortgage

The Hotel Corporation agrees that, as long as any of the Bonds remain Outstanding, all of the Project Gross Revenues will be deposited as soon as practicable upon receipt by the Manager (acting as agent for the Hotel Corporation) or by the Hotel Corporation (and in any event, no less frequently than each Business Day) in the Operating Expense Account established pursuant to the Indenture or a fund designated as the "Lockbox Fund" which the Hotel Corporation shall establish and maintain in an account or accounts at such banking institution or institutions as the Hotel Corporation shall from time to time designate (the "Depository" or "Depository Bank"). Subject only to the provisions of the Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Loan Agreement, the Hotel Corporation pledges, irrevocably assigns and grants a security interest to the Trustee, as assignee of the Authority (for the benefit of the Bondholders and for the benefit of the Trustee to the extent set forth in the Indenture), in all of the Gross Revenues and the Hotel Corporation's interest in the funds and accounts created under the Indenture and in any Lockbox Fund created pursuant to the Indenture to secure the payment of the Loan Repayments and the performance by the Hotel Corporation of its other obligations under the Loan Agreement.

On the first Business Day of each month, prior to any transfer of amounts on deposit in the Operating Expense Account to any other Fund or Account, pursuant to the Indenture there shall be retained and set aside in the Operating Expense Account the sum of \$1,500,000 or such greater amount as may be directed in writing by the Hotel Corporation. Amounts on deposit from time to time in the Operating Expense Account may, subject to the provisions of the Indenture or the Lockbox Agreement, as applicable, be used and withdrawn by the Manager. As to the funds and accounts created or required to be created under the Indenture and the Loan Agreement, to the extent the Hotel Corporation has an interest in such funds and accounts or balances thereof, the Hotel Corporation irrevocably directs the Trustee to apply all monies on deposit in all such funds or accounts in the manner provided in the Indenture.

If the Lockbox Fund is held by a Depository Bank or Banks, upon the occurrence and continuation of an Event of Default under the Indenture, the Hotel Corporation shall cause the Depository Banks to transfer the Lockbox Fund to the name and credit of the Trustee, as assignee of the Authority. The Lockbox Fund shall remain in the name and to the credit of the Trustee until the amounts on deposit in said fund are sufficient to pay in full (or have been used to pay in full) all amounts in default and until all of other Loan Default Events and Events of Default of which the Trustee is deemed to have notice pursuant to the Indenture, shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, whereupon the Lockbox Fund (except for the Gross Revenues required to make such payments or cure such defaults) shall be returned to the name and credit of the Hotel Corporation. During any period that the Lockbox Fund is held in the name and to the credit of the Trustee, the Trustee shall use and withdraw on the dates specified in the Indenture amounts in said fund, to make Loan Repayments, as such payments become due. During any period that the Lockbox Fund is held in the name and to the credit of the Trustee, the Hotel Corporation shall not be entitled to use or withdraw any of the amounts therein unless (and then only to the extent that) the Trustee so directs for the payment of current or past due Operating Expenses or otherwise as permitted under the Indenture.

Full and faithful performance of the obligations under the Loan Agreement is further secured by the lien on the Project and the Hotel Corporation's leasehold interest in the Site granted by the Hotel Corporation pursuant to the Mortgage. The Hotel Corporation agrees that the Mortgage will be subject only to conditions, covenants and restrictions of record shown as exceptions to the Title Policy. Said Title Policy shall name the Authority and the Trustee as beneficiaries, as their interests may appear, with liability at least equal to the aggregate principal amount represented by the Series 2015 Bonds.

Prepayment

The Hotel Corporation has the right at any time or from time to time to prepay all or any part of the Loan Repayments in amounts equal to the principal amount of the Outstanding Bonds, together with applicable redemption premiums and interest accrued on and prior to the redemption dates upon which the applicable Bonds can be redeemed and the Authority agrees that the Trustee will accept such prepayments when the same are tendered by the Hotel Corporation. All such prepayments will be deposited upon receipt in the Debt Service Fund and, as specified in a Request of the Hotel Corporation, (i) credited against Loan Repayments and used to pay the principal of or interest on Bonds, or (ii) used for the redemption of Outstanding Bonds and credited against the Loan Repayments which would be required, but for such redemption, to pay principal of or interest on such Bonds, as specified in such request and in the manner and subject to the terms and conditions set forth in the Indenture. The Hotel Corporation also shall have the right to surrender Bonds acquired by the Hotel Corporation in any manner whatsoever to the Trustee for cancellation, and such Bonds, upon such surrender and cancellation, are deemed to be paid and retired. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding, the Hotel Corporation shall not be relieved of its obligations under the Loan Agreement.

At any time after April 1, 2025, that there is on deposit in the Debt Service Fund, the Debt Service Reserve Fund (excluding Financial Guaranties) and the Cash Trap Fund moneys or securities in the amount sufficient to retire (by payment at maturity or prior redemption) all Bonds Outstanding in accordance with their terms and the terms of the Indenture described in the third paragraph under the caption "THE SERIES 2015 BONDS--Redemption Provisions--*Optional Redemption*" (and, in the case of Bonds other than the Series 2015 Bonds, in accordance with the applicable provisions of the Supplemental Indenture relating thereto), the Authority and the Hotel Corporation will forthwith take all steps that may be necessary to discharge the entire indebtedness on the Bonds Outstanding,

and, if no Bonds are then Outstanding, effect the discharge of the Indenture as described under the heading "INDENTURE--Discharge" above.

Particular Covenants

Maintenance of Corporate Existence of the Hotel Corporation; Consolidation, Merger, Sale or Transfer of Assets Under Certain Conditions

The Hotel Corporation agrees that it will maintain its existence as a South Carolina nonprofit corporation and an instrumentality of the City for purposes of Section 115 of the Code, and will not dissolve, sell or otherwise dispose of all or substantially all of its assets nor consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided that the Hotel Corporation may, without violating the covenants contained in the Loan Agreement, consolidate with or merge into another corporation, or permit one or more other corporation to consolidate with or merge into it or sell or otherwise transfer to another corporation such assets, if:

- (1) The surviving, resulting or transferee corporation, as the case may be:
 - (a) qualifies as an instrumentality of the City for purposes of Section 115 of the Code;
 - (b) assumes in writing, if such corporation is not the Hotel Corporation, all of the obligations of the Hotel Corporation under the Loan Agreement; and
 - (c) is not, after such transaction, otherwise in default under any provisions of the Loan Agreement; and
- (2) The Trustee shall have received an opinion of nationally recognized bond counsel to the effect that such merger, consolidation, sale or other transfer will not cause interest on any Bonds issued as obligations the interest on which is exempt from taxation as gross income for federal income tax purposes to be includable in gross income for federal income tax purposes under Section 103 of the Code.

Accounting Records; Access to Project

The Hotel Corporation agrees at all times to keep, or cause to be kept, proper books of record and account, prepared in accordance with Generally Accepted Accounting Principles, in which complete and accurate entries are made of all transactions of or in relation to the business, properties and operations of the Hotel Corporation.

The Hotel Corporation further covenants and agrees to furnish the Trustee, within 120 days after the end of each Fiscal Year, with copies of the complete combined financial statements, including a balance sheet, income statement and statement of cash flows, of the Hotel Corporation, together with (1) the report and opinion of the Accountant stating that the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and that the Accountant's examination of the Hotel Corporation's records was performed in accordance with generally accepted auditing standards, and (2) a Certificate of an Authorized Officer of the Hotel Corporation stating that no event which constitutes a Loan Default Event has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Hotel Corporation to cure such default. The Trustee shall have no duty to review such financial statements.

The Hotel Corporation shall provide to the Trustee, within 30 days after the end of each quarter of each Fiscal Year, copies of its internally generated financial statements for such quarter and year to date, prepared on an accrual basis, including a balance sheet, income statement, and statement of cash flows, together with a supplemental report of the operating statistics of the Project, including average daily room rates, occupancy rate, future rooms booked for the next following eight quarters, a comparison of actual results for such periods to the Operating Plan and Budget, and any other operating information which any such Holder or the Trustee may reasonably request.

From time to time, the Hotel Corporation shall provide to the Authority and to the Trustee such reports and information concerning the condition of the Project or compliance with the Financing Documents as the Authority or the Trustee may reasonably request, including but not limited to, the following reports:

- (i) promptly upon its receipt by the Hotel Corporation, copies of any correspondence from the Internal Revenue Service as to an audit or potential audit of the Bonds;
- (ii) prompt written notice of any litigation or proceeding in which the Hotel Corporation is a part if such litigation, if decided against the Hotel Corporation, would materially and adversely affect the Project or the operations, financial conditions, property or business of the Hotel Corporation, and, to the extent feasible, the status of the Hotel Corporation's defense of such claim;
- (iii) prompt written notice of: (i) any Event of Default, and (ii) the occurrence or nonoccurrence of any event that would cause any of the representations and warranties contained in any Financing Document to be incorrect if made at such time of such event;
- (iv) a report regarding any material changes to the charges for the Project setting forth the reasons for each revision and, if applicable, the reasons why any increase in such charges recommended in any current management Consultant report required to be delivered under the Loan Agreement has not been made;
- (v) notice of the Hotel Advisor selected pursuant to the Qualified Management Agreement;
and
- (vi) a copy of the report of the Manager with respect to any variance from the Project Budget of greater than 15 percent in any month pursuant to the Qualified Management Agreement.

The Authority and the Trustee, by their respective duly authorized representatives, at reasonable times and upon reasonable notice, may (i) discuss the financial affairs of the Hotel Corporation with a duly authorized representative thereof, the president and chief financial officer of the Manager, the Accountant, and any Consultant retained by the Hotel Corporation to analyze its operations or financial affairs and (ii) at their own expense (unless a Loan Default Event shall have occurred and be continuing, in which case at the Hotel Corporation's expense) examine and inspect the Project and the books and records of the Hotel Corporation.

Tax Covenants

The Hotel Corporation covenants and agrees that it will at all times do and perform all acts and things permitted by law and the Loan Agreement which are necessary or desirable in order to assure that interest paid on the Bonds issued as obligations the interest on which is exempt from taxation as gross income for federal income tax purposes will be excluded from gross income for federal income tax purposes and will take no action or omit to take any action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Hotel Corporation agrees to comply with the provisions of the Tax Compliance Agreement. This provision shall survive payment in full or defeasance of the Bonds.

Sole Purpose Corporation

The Hotel Corporation is a sole purpose corporation formed for the purpose of owning, leasing, encumbering, purchasing and selling the Project and any personal property related thereto, or any rights or lesser interests therein or incidents thereof, for the purpose of designing, building, owning, operating, financing, encumbering, maintaining, leasing, purchasing or selling, or taking any other action with respect to, a full service convention center hotel in the City. The Hotel Corporation will continue to be engaged solely in the business specified in the previous sentence.

Zoning

The Hotel Corporation may not take any action with respect to changing the zoning on the Site or rezone the Site inconsistent with operating a convention center hotel.

Guaranties

The Hotel Corporation agrees it shall not guarantee the Indebtedness of another Person.

Pay Officers or Director

The Hotel Corporation shall not pay any compensation or make any distribution of income or other assets to any of its officers or directors other than as compensation to such persons in their capacities as employees, contractors or suppliers of the Hotel Corporation or the reimbursement of ordinary out-of-pocket expenses; provided, however, the Hotel Corporation may pay its directors a reasonable fee for such directors' attendance at meetings of the Hotel Corporation, as provided in its bylaws.

At any time, no more than 49 percent of the persons serving on the Board of Directors of the Hotel Corporation, or on any committee of the Board of Directors of the Hotel Corporation may be "interested persons." An interested person is (i) any person compensated by the Hotel Corporation or the City for services rendered to it within the previous 12 months, whether as an officer, full-time or part-time employee, independent contractor, or otherwise, excluding reimbursement of expenses paid to a director pursuant to the Bylaws of the Hotel Corporation; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such person; provided, however, that any violation of this paragraph will not affect the validity or enforceability of transactions entered into by the Hotel Corporation or of actions taken or approved by the Board of Directors of the Hotel Corporation.

Amend Articles and Bylaws

The Hotel Corporation may not amend its articles of incorporation or bylaws: (1) without the prior written consent of the City, (2) in any manner that would result in inclusion of interest on any Bonds issued as obligations the interest on which is exempt from taxation as gross income for federal income tax purposes in gross income for federal income tax purposes, (3) in any manner that would adversely affect the interests of the holders of the Bonds as determined by an Opinion of Bond Counsel and (4) without the affirmative vote of 100 percent of the board of directors of the Hotel Corporation.

Maintenance of the Project

The Hotel Corporation shall maintain or cause to be maintained the Project in good and substantial repair and condition; provided that, if all or any of the Project are destroyed or damaged by fire or other casualty, the money derived from any insurance on the property are applied in accordance with the terms of the Indenture and the Loan Agreement.

Bankruptcy; Insolvency; Receiver

The Hotel Corporation immediately shall give notice to the Trustee of the filing of any petition, or commencement of any proceedings, in bankruptcy, or for a receiver or insolvency or for reorganization or composition, or any assignment for the benefit of creditors to a trustee for the benefit of creditors, relating to the Hotel Corporation or the Project. If the Hotel Corporation or its creditors file a petition alleging insolvency, requesting reorganization or a composition of creditors, or for an assignment for the benefit of creditors, in any court, the Trustee shall have the right to participate and, or vote, on any plan or reorganization, agreement for a composition of creditors, and on any assignment for the benefit of creditors. If there is a proceeding to effect a receivership for the Hotel Corporation, the Trustee shall have the right to select the receiver.

Compliance with Law; Maintenance of Project

The Hotel Corporation will operate and maintain or shall cause the operation and maintenance the Project in accordance with all Applicable Laws. The Hotel Corporation will maintain and operate or cause the maintenance and operation of the Project and all engines, boilers, pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that are placed in any building or structure now or hereafter at any time constituting part of the Project in good repair, working order and condition, and the Hotel Corporation shall from time to time make or cause to be made all needful and proper replacements, repairs, renewals and improvements; in each case to the extent necessary so that the efficiency and value of the Project shall not be impaired.

Taxes, Assessments and Governmental Charges

The Hotel Corporation shall pay and discharge or cause to be paid and discharged all taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which may be or have been assessed or which may have become liens upon the Project (but solely from amounts deposited to the Taxes and Insurance Fund and from other amounts available for such purpose under the Indenture) and will make such payments or cause such payments to be made in due time to prevent any delinquency thereon or any forfeiture or sale of the Project or any part thereof, and, upon request, shall furnish to the Trustee receipts for all such payments, or other evidences satisfactory to the Trustee. Notwithstanding the foregoing, the Hotel Corporation may in good faith contest by proper legal proceedings, the validity or amount of any such tax, assessment, rate or charge, and may permit such tax, assessment, rate or charge to remain unpaid during the period of such contest, provided (i) no other Event of Default, or event or condition which, with the giving of notice or the passage of time or both, would constitute an Event of Default, has occurred and is continuing; (ii) the Hotel Corporation maintains and prosecutes with diligence such contest; (iii) the Hotel Corporation shall pay such contested tax, assessment, rate or charge and all costs and penalties, if any, and shall deliver to the Trustee evidence acceptable to the Trustee of such payment promptly if such contest is terminated or determined adversely to the Hotel Corporation, and in any event prior to the date any portion of the Project may be sold or otherwise transferred because of non-payment of the tax, assessment, rate or charge; and (iv) the Hotel Corporation shall deposit with the Trustee during such contest cash or a surety bond in the amount of such unpaid tax, assessment, rate or charge plus interest and penalties anticipated to accrue thereon in amounts satisfactory to the Trustee which, notwithstanding any provision hereof to the contrary, the Trustee may use to pay the same prior to the date any of the Project may be sold or otherwise transferred because of non-payment of the tax, assessment, rate or charge.

Operation of the Project

Management of the Project. The Hotel Corporation shall manage, or cause the Project to be managed, and operate or cause the Project to be operated, as a revenue-producing, full-service, first-class “upscale” (as categorized by J.D. Powers and Associates in its annual study of upscale hotel chains) convention hotel affiliated with a national chain. The Hotel Corporation shall cause to be in full force and effect at all times a Qualified Management Agreement with respect to the Project with terms and conditions similar to that of the current Qualified Management Agreement (upon compliance with Rev. Proc. 97-13, 1997-51.R.B.18 or successor provision), and which the Hotel Corporation, upon the advice of a Consultant, shall determine necessary and appropriate to (i) maximize the Project's current and long-term value and maximize Net Gross Operating Revenues, and (ii) enhance the overall operating efficiency of the Project. The Hotel Corporation may amend such management agreement only if it files with the Trustee prior to such amendment, a certificate of the Consultant, that such amendment has been recommended by the Consultant, and to the effect that such amendment complies with the previous sentence. Each management agreement for the Project shall expressly permit the assignment thereof to the Trustee for the benefit of Bondholders and shall entitle the Trustee to the benefits thereof upon the occurrence of an Event of Default or a Loan Default Event.

Maintain License. The Hotel Corporation will at all times, where required by the laws of the jurisdiction, maintain or cause to be maintained in full force and effect the applicable licenses, permits, qualifications, certificates and other governmental approvals necessary to operate the Project.

Equip the Project. The Hotel Corporation will, pursuant to applicable licensing regulations from time to time in effect, suitably equip the Project to facilitate its overall operation in a manner reasonably expected to qualify

as a full-service, first-class, “upscale” (as categorized by J.D. Powers and Associates in its annual study of upscale hotel chains) convention hotel.

Acquisition of Services, Supplies and Materials. The Hotel Corporation will not make payments from the Construction Fund established under the Indenture for services, supplies or materials without compliance with the requirements for disbursements from the Construction Fund required by the Indenture.

Deposit of Gross Revenues; Lockbox Agreement

The Hotel Corporation covenants and agrees that it shall deposit or cause to be deposited all Project Gross Revenues in the Lockbox Fund pursuant to the terms of the Indenture and the Lockbox Agreement. The Hotel Corporation covenants and agrees to maintain or cause to be maintained the Lockbox Fund while the Bonds are Outstanding. The Hotel Corporation covenants and agrees to execute any substitute or replacement lockbox agreements with respect to Project Gross Revenues as may be necessary to maintain and perfect the first priority security interest therein or chattel mortgage thereon in favor of the Trustee.

Manager

The Hotel Corporation agrees that it will at all times delegate or cause to be delegated the duties and responsibilities of Operating the Project to a nationally recognized hotel management company having the experience and qualifications to operate and manage a first-class hotel of the size and character of the Project pursuant to the Qualified Management Agreement. The Hotel Corporation covenants to diligently enforce or cause to be enforced all of its rights and remedies under the Qualified Management Agreement with regard to any circumstance that is reasonably likely to ripen into an event of default under the Qualified Management Agreement, and if the Manager fails to do so, the Hotel Corporation shall have the right to do so to the extent permitted under the Qualified Management Agreement. The Hotel Corporation may not be in default under the Loan Agreement because of an event of default by Manager under the Qualified Management Agreement, so long as it is using commercially reasonable efforts to enforce its rights and remedies under the Qualified Management Agreement.

Operations Consultant

The Hotel Corporation will, at its own expense, retain an operations consultant (the “Operations Consultant”), whose function it will be to (i) review and recommend approval or disapproval to the Hotel Corporation of any proposed Operating Plan and Budget, including Capital Budget, for the upcoming Operating Year; (ii) review all reports required to be delivered by the Manager pursuant to the Qualified Management Agreement; (iii) provide reports to the Hotel Corporation and the Trustee, on an annual basis, summarizing the Operations Consultant’s findings for the preceding year regarding the Manager’s compliance with the Qualified Management Agreement; and (iv) comment on the recommendations submitted by any other Consultant and the decisions of any Expert retained pursuant to the Qualified Management Agreement. The fees and expenses of retaining the Operations Consultant shall be treated as an Operating Expense under the Indenture.

Consultant Recommendations

The Hotel Corporation agrees that, whenever a Consultant is required to be retained pursuant to the terms of the Loan Agreement, the Indenture or the Qualified Management Agreement, it will pay any and all fees and expenses associated with such Consultant pursuant to the terms of the Indenture. Such fees shall be treated as Operating Expenses under the Indenture. The Hotel Corporation agrees that whenever a Consultant is engaged pursuant to the terms of the Loan Agreement, the Indenture or the initial Qualified Management Agreement during the term of the initial Qualified Management Agreement:

- (i) if Manager agrees with the Consultant’s recommendations, it will follow such recommendations; and
- (ii) if Manager disagrees with the Consultant’s recommendations,

(A) it may challenge the decision through the Expert Resolution Process as described in such Qualified Management Agreement;

(B) the Expert will render a decision as to whether Manager shall follow the Consultant's recommendations; and

(C) in making its decision, the Expert shall conclude that Manager was justified in opposing the Consultant's recommendation if the Expert concludes that implementing such recommendations would have a detrimental effect on the Operation of the Hotel, the image of Manager, the Project or the Hotel Corporation's rights under the License Agreement.

Loan Default Events And Remedies

Loan Default Events

The following events are "Loan Default Events" under the Loan Agreement:

(a) If the Hotel Corporation shall fail to pay any Loan Repayment when due and payable; provided, however, that if the Loan Repayment is sufficient to pay the minimum required pursuant to the provisions of the Loan Agreement described under the heading "Repayment of Loans--*Payments to Operating Expense Account*" above, or if sufficient amounts to make up such deficiency in the other Funds and Accounts created under the Indenture and available for such purpose, such event shall not be a "Loan Default Event" while the Bonds are Outstanding pursuant to the Indenture. For purposes of this subsection, the "minimum amount required" pursuant to the preceding sentence shall not include amounts necessary to fund the deposits required by paragraph (f) under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Funds and Accounts--*Flow of Available Revenues*" in the front part of this Official Statement, and the failure to provide for such amounts shall not be a "Loan Default Event";

(b) If any representation or warranty made by the Hotel Corporation in the Loan Agreement or in any document, instrument or certificate furnished to the Trustee or the Authority in connection with the issuance of any Series of Bonds shall at any time prove to have been incorrect in any material respect as of the time made;

(c) If the Hotel Corporation shall fail to retain a Consultant as and when required by the Loan Agreement or fail to follow the recommendations of the Consultant when required by the Loan Agreement and to the extent permitted under the Qualified Management Agreement, for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the Hotel Corporation by the Authority or the Trustee;

(d) If the Qualified Management Agreement has been terminated and a new Qualified Management Agreement has not been delivered to the Trustee;

(e) If the Hotel Corporation shall fail to observe or perform any other covenant, condition, agreement or provision in the Loan Agreement on its part to be observed or performed for a period of 60 days after written notice specifying such failure or breach and requesting that it be remedied, has been given to the Hotel Corporation by the Authority or the Trustee; except that, if such failure can be remedied but not within such 60-day period and if the Hotel Corporation has taken all action reasonably possible to remedy such failure within such 60-day period, such failure shall not become a Loan Default Event for so long as the Hotel Corporation shall diligently proceed to remedy same in accordance with and subject to any directions or limitations of time (not to exceed 120 days after such written notice of default without the prior written consent of the Holders of a majority of the Bonds) established by the Trustee;

(f) If the Hotel Corporation files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of its facilities;

(g) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Hotel Corporation an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Hotel Corporation or of the whole or any substantial part of its facilities, or approving a petition filed against the Hotel Corporation seeking reorganization of the Hotel Corporation under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Hotel Corporation or of the whole or any substantial part of its facilities, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control;

(i) If any Event of Default under the Indenture, the Mortgage, the Site and Support Facilities Lease or any other Financing Document shall occur and be continuing;

(j) A default by the Hotel Corporation (after the lapse of any applicable grace period) in (i) the payment of any other obligation it may now or hereafter have for the repayment of any Indebtedness exceeding \$250,000 in principal amount, or (ii) the performance of any other agreement, term, or condition contained in any agreement under which any Indebtedness exceeding \$250,000 in principal amount is created if the effect of such default is to cause, or permit the holder or holders of such Indebtedness or such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due prior to its stated maturity (as used in this paragraph Indebtedness shall not include accounts payable and other similar items arising in the normal course of business, and shall not include the Bonds);

(k) The suspension or revocation of any licenses for the Project, the absence of which would have a Material Adverse Effect on the Operation of the Project or the Gross Revenues, and which suspension or revocation will continue for 45 days;

(l) A voluntary violation by the Hotel Corporation of covenants contained in the provisions of the Loan Agreement described under the caption “Particular Covenants--*Maintenance of Corporate Existence of the Hotel Corporation; Consolidation, Merger, Sale or Transfer of Assets Under Certain Conditions*” above and under the heading “REVENUE COVENANT AND CERTAIN OTHER COVENANTS--Restrictions on Leases, Contracts, Transfers and Assignments” in the front part of this Official Statement, or a violation (whether voluntary or involuntary) of the covenant contained in the provisions of the Loan Agreement described under the caption “Particular Covenants--*Taxes, Assessments and Government Charges*” that shall continue for 30 days;

(m) If a final judgment for an amount in excess of \$250,000 shall be outstanding against the Hotel Corporation for any period of ten days or more from the date of its entry and shall not have been discharged in full or stayed pending appeal;

(n) An abandonment by the Hotel Corporation of any portion of the Project necessary for the Operation of the Project for its current purpose; or

(o) Failure to maintain the insurance required by the Loan Agreement or any other Financing Document;

Remedies on Default

Subject to the provisions of the Indenture, if a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Authority or the Trustee may take any one or more of the following remedial steps:

(a) The Trustee shall, whether or not the Bonds have been accelerated and upon notice in writing to the Hotel Corporation, declare all installments of Loan Repayments payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same are immediately due and payable, anything in the Loan Agreement to the contrary notwithstanding. “All installments” as used in this subparagraph

shall mean an amount equal to the entire principal amount of the then Outstanding Bonds, together with any applicable redemption premiums and all interest accrued or to accrue on and prior to the next redemption date or dates on which the Bonds can be redeemed after giving notice to the Holders thereof as required by the Indenture (less moneys available for such purpose then held by the Trustee) plus any other payments due or to become due under the Loan Agreement, including, without limitation, any unpaid fees and expenses of the Trustee which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated; provided, however, that if acceleration of the Bonds has been rescinded and annulled pursuant to the Indenture acceleration of the Loan Repayments required under the Loan Agreement shall similarly be rescinded and annulled and the Loan Default Event occasioning such acceleration will be waived; and provided, further, that if the Loan Repayments have been accelerated but the Bonds have not, the acceleration of the Loan Repayments may be rescinded and annulled in the same manner and under the same conditions as the annulment and rescission of Bond payments under the provisions of the Indenture described under the caption "INDENTURE--Events of Default and Remedies of Bondholders--*Acceleration of Maturities*" herein, substituting the Loan Repayments for the Bond payments in applying the provisions thereunder. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

(b) The Authority or the Trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the Loan Repayments then due and thereafter to become due under the Loan Agreement or to enforce the performance and observance of any obligation, covenant, agreement or provision contained in the Loan Agreement to be observed or performed by the Hotel Corporation, including without limitation instituting foreclosure proceedings under the Mortgage in accordance with the Indenture or pursuant to the remedies set forth in any other Financing Document.

Remedies Not Exclusive; No Waiver of Rights

No remedy in the Loan Agreement conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, are cumulative and are in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Trustee to exercise any remedy, to the extent permitted by law, reserved to it contained in the Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Loan Agreement. Such rights and remedies as are given to the Authority under the Loan Agreement shall also extend to the Trustee, and the Trustee may exercise any rights and will be charged with the obligations of the Authority under the Loan Agreement, and the Trustee and the Holders of the Bonds issued under the Indenture are deemed third party beneficiaries of all covenants and conditions contained in the Loan Agreement.

No delay in exercising or omitting to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Expenses on Default

If the Hotel Corporation should default under any of the provisions of the Loan Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Loan Agreement, the Hotel Corporation agrees that it will on demand therefor pay to the Authority or the Trustee the fee of such attorneys and such other expenses so incurred by the Authority or the Trustee.

Notice of Default

The Hotel Corporation agrees that, as soon as is practicable, and in any event within ten days, the Hotel Corporation will furnish the Trustee notice of any event which is a Loan Default Event pursuant to the Loan Agreement which has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the Hotel Corporation proposes to take with respect thereto.

Amendment

Amendment of Indenture

The Authority agrees that, except as may be necessary to protect the tax-exempt status of the interest on the Bonds, it will take no action to amend or supplement the Indenture, or any supplement thereto in any manner that would adversely affect the interests of the Hotel Corporation without obtaining the prior written consent of the Hotel Corporation to such amendment or supplement.

MORTGAGE

General

The Mortgage from the Hotel Corporation, as mortgagor, to the Trustee, as mortgagee, secures the payment of the principal of, and the premium, if any, and interest on, the Bonds and the performance of all of the covenants of the Hotel Corporation contained in the Mortgage and the Loan Agreement including all future advances and readvances in accordance with Section 29-3-50 of the Code of Laws of South Carolina 1976, as amended. If the Hotel Corporation shall promptly pay or cause to be paid to the Trustee the principal of, interest on, and all other amounts payable with respect to, the Bonds, at the times and in the manner stipulated therein and in the Indenture, all without any deduction or credit for taxes or other similar charges paid by the Hotel Corporation, and shall keep, perform and observe, or cause to be kept, performed, and observed, all the covenants and promises in the Loan Agreement and the Mortgage, to be kept, performed or observed by the Hotel Corporation, then the Mortgage, and all the properties, interests, and rights thereby granted, conveyed, and assigned shall cease, determine, and be void, but shall otherwise remain in full force and effect.

Mortgage of Property

The Hotel Corporation has warranted in the Mortgage that it lawfully holds and possesses the Property (or, with respect to the Site, its leasehold interest therein) in fee simple, free and clear of all liens, encumbrances and other exceptions, other than Permitted Encumbrances. "Property" is defined under the Mortgage to include:

(a) The Hotel Corporation's leasehold interest in the Site pursuant to the Site and Support Facilities Lease;

(b) All buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter located on the Site (the "Improvements"); and to the extent permitted by law, the name or names, if any, as may now or hereafter be used for each Improvement, and the goodwill associated therewith;

(c) All easements, rights-of-way, licenses, profits, privileges, tenements, hereditaments and appurtenances, strips and gores of land, streets, ways, alleys, passages, now or hereafter in any way appertaining and belonging to or used in connection with the Site and/or the Improvements, and any part thereof or as a means of access thereto, including, but not limited to, any claim at law or in equity, and any after acquired title and reversion in and to each and every part of all streets, roads, highways and alleys adjacent to and adjoining the same;

(d) All sewer rights, water, water courses, water rights and powers (whether riparian, appropriative, or otherwise, and whether or not appurtenant), pumps and pumping stations used in connection therewith and all shares of stock evidencing the same, air rights and development rights, liberties, tenements, hereditaments and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Site or the Improvements and the reversions, remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Site to the center line thereof and all the estates, rights, titles, interests, property, possession, claim and demand whatsoever, both in law and in equity, of the Hotel Corporation of, in and to the Site and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(e) All machinery, equipment, appliances, furnishings, inventory, fixtures (including, but not limited to, all storage tanks and pipelines, gas, electric, heating, cooling, air conditioning, refrigeration, plumbing, lighting, communications and elevator fixtures), inventory and articles of personal property and accessions thereof and renewals, replacements thereof and substitutions therefor, and other tangible property of every kind and nature whatsoever owned by the Hotel Corporation, or in which the Hotel Corporation has or shall have an interest, now or hereafter located upon the Site or the Improvements, or appurtenances thereto, or used in connection with the present or future operation and occupancy of the Site or the Improvements;

(f) All awards of payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property to the extent actually received by the Hotel Corporation, whether from the exercise of the right of eminent domain (including, but not limited to, any transfer of the Property or part thereof made in lieu of or in anticipation of the exercise of said right), or for any other injury to or decrease in the value of the Property;

(g) All leases and other agreements affecting the use, enjoyment or occupancy of the Property now or hereafter entered into (the "Leases") and all oil and gas or other mineral royalties, bonuses and rents, revenues, earnings, income, deposits, receipts, royalties, security deposits, issues and profits and accounts receivable generated from the Property (the "Rents") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the obligations secured by the Mortgage;

(h) All proceeds of and any unearned premiums on any insurance policies covering the Property including, without limitation, the right to receive and apply the proceeds of any insurance, judgments (including with respect to a casualty thereto or condemnation thereof), or settlements made in lieu thereof, for damage to the Property;

(i) The right, in the name and on behalf of the Hotel Corporation, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of the Trustee in the Property; and

(j) All right, title and interest of every nature of the Hotel Corporation in all receivables and other accounts of the Hotel Corporation relating to the Property and in all monies deposited or to be deposited in any funds or account maintained or deposited with the Trustee, or its assigns, in connection herewith, if any.

Payment of Taxes and Insurance Coverage

Taxes

The Hotel Corporation shall pay and discharge or cause to be paid and discharged all taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which have been assessed or which may become a lien upon the Property, any part thereof or interest therein pursuant to the Loan Agreement. The Hotel Corporation shall also pay, immediately after notice, all taxes, assessments, levies and charges imposed by any public authority upon the Trustee by reason of its interest in the Property created by the Mortgage or by reason of any payment, or portion thereof, made to the Trustee thereunder or pursuant to any obligation thereby secured; provided, however, that the Hotel Corporation shall have no obligation to pay or discharge the Trustee's business or franchise taxes, federal or state income taxes or other taxes and which are measured by and imposed upon the Trustee's net or gross income or receipts.

Insurance

The Hotel Corporation shall maintain the insurance required by the Loan Agreement; it being mutually agreed that the proceeds of any claim under such insurance shall be paid, held and disbursed as provided in the Loan Agreement, and that any unexpired insurance and all returnable insurance premiums shall inure to the benefit of, and pass to, the purchaser of the property covered thereby at any foreclosure sale held under the Mortgage.

Liens and Encumbrances

The Hotel Corporation shall pay or shall cause to be paid, at or prior to maturity, all obligations secured by or reducible to liens and encumbrances which shall now or hereafter encumber or appear to encumber the Property or any part thereof or interest therein, whether senior or subordinate hereto, including, without limitation, all claims for work or labor performed, or materials or suppliers furnished, in connection with any work of demolition, alteration, improvement of or construction upon the Property.

Restrictions on Sales and Encumbrances

The Hotel Corporation will not further encumber, sell, convey or transfer any interest in, or any part of, the Property except in strict accordance with the Loan Agreement. In the event that a further encumbrance, sale, conveyance or transfer is prohibited under the Loan Agreement, the Hotel Corporation will not further encumber, sell, convey or transfer any interest in, or any part of, the Property without the prior written consent of the Trustee. Any such encumbrance, sale, conveyance or transfer prohibited under the Loan Agreement and made without the Trustee's prior written consent shall be an immediate event of default under the Mortgage.

Maintenance and Inspection of Property

The Hotel Corporation covenants: (i) to keep the Property in good condition and repair and in accordance with the Loan Agreement; (ii) not to remove or demolish or substantially alter the Property or any part thereof other than as contemplated under the Loan Agreement, except for such alterations as may be required by any Applicable Law; (iii) to complete or restore promptly and in good and workmanlike manner the Property or any part thereof which may be damaged or destroyed in accordance with the Loan Agreement; (iv) to pay when due all claims for work performed and for materials furnished on or to the Property, and to pay any and all liens or encumbrances arising out of or resulting from work performed or materials supplied on or to the Property; (v) to comply with and not suffer violations of, (a) any and all laws, ordinances, regulations and standards (including, without limitation, any conditional use permits), (b) any and all covenants, conditions, restrictions and equitable servitudes, whether public or private, of every kind and character, and (c) all requirements of insurance companies and any bureau or agency that establishes standards of insurability, which laws, covenants or requirements affect the Property and pertain to acts committed or conditions existing thereon, including, without limitation, such work of alteration, improvement or demolition as such laws, covenants or requirements mandate; (vi) not to commit or permit waste of the Property or any part thereof; (vii) to do all other acts which from the character or use of the Property may be reasonably necessary to maintain, preserve and enhance its value; (viii) to perform all obligations required to be performed in leases, conditional sales contracts or like agreements affecting the Property or the operation, occupation or use thereof (and upon the occurrence and continuance of an event of default under the Mortgage all right, title and interest of the Hotel Corporation under any such leases, conditional sales contracts or like agreements shall be automatically assigned to the Trustee under the Mortgage, together with any deposits made in connection therewith); (ix) not to create any mortgage or encumbrance upon the Property other than as permitted under the Loan Agreement; (x) to make no further assignment of rents of the Property other than permitted under the Loan Agreement; (xi) to perform each of the Hotel Corporation's obligations set forth in the Loan Agreement and the Indenture; and (xii) to execute and, where appropriate, acknowledge and deliver such further instruments as the Trustee deems necessary or appropriate to preserve, continue, perfect and enjoy the security provided for in the Mortgage, including, without limitation, assignments of the Hotel Corporation's interest in leases of the Property.

The Trustee, its agents, contractors and employees, may enter the Property at any reasonable time upon prior written notice to the Hotel Corporation for the purpose of inspecting the Property and ascertaining the Hotel Corporation's compliance with the terms hereof.

Events of Default Under the Mortgage

The occurrence of any of the following events shall be deemed an event of default under the Mortgage and shall entitle the Trustee to exercise its remedies under the Mortgage or as otherwise provided by law:

- (a) The occurrence of a Loan Default Event; or
- (b) The occurrence of an Event of Default; or
- (c) The default by the Hotel Corporation of any term or condition of the Mortgage and any such failure shall remain unremedied for 60 days after written notice thereof shall have been given to the Hotel Corporation by the Trustee; or
- (d) An event of default by the Hotel Corporation under the Qualified Management Agreement;
- (e) An event of default by the Hotel Corporation under the Lockbox Agreement; or
- (f) An event of default by the Hotel Corporation under the Site and Support Facilities Lease.

Rights and Remedies

Upon the occurrence and continuance of an event of default under the Mortgage, the Trustee shall receive the transfer of the Lockbox Fund pursuant to the Loan Agreement, until every indebtedness secured by the Mortgage has been paid in full or until such event of default is cured. In addition, the Trustee shall have the following rights and remedies:

- (a) To declare all obligations secured by the Mortgage immediately due and payable;
- (b) With or without notice, and without releasing the Hotel Corporation from any obligation under the Mortgage, to cure any default of the Hotel Corporation and, in connection therewith, to enter upon the Property and to perform such acts and things as the Trustee deems necessary or desirable to inspect, investigate, assess and protect the security of the Mortgage, including, without limitation, of any of its other rights: (i) to appear in and defend any action or proceeding purporting to affect the security of the Mortgage or the rights or powers of the Trustee thereunder; (ii) to pay, purchase, contest or compromise any encumbrance, charge, lien or claim of lien which, in the judgment of the Trustee, is prior or superior to the Mortgage, the judgment of the Trustee being conclusive as between the parties hereto; (iii) to pay any premiums or charges with respect to insurance required to be carried under the Mortgage; and (iv) to employ counsel, accountants, contractors and other appropriate persons to assist it;
- (c) To commence and maintain an action or actions in any court of competent jurisdiction to foreclose the Mortgage or to obtain specific enforcement of the covenants of the Hotel Corporation thereunder, and the Hotel Corporation agrees that such covenants shall be specifically enforceable by injunction or any other appropriate equitable remedy and that for the purposes of any suit brought under this subparagraph, the Hotel Corporation waives the defense of laches and any applicable statute of limitations;
- (d) The Trustee or its employees, acting by themselves or through a court-appointed receiver may (i) enter upon, possess, manage, operate, dispose of and contract to dispose of the Property or any part thereof; (ii) take custody of all accounts; negotiate with governmental authorities with respect to the Property's environmental compliance and remedial measures; (iii) make, terminate, enforce or modify leases of the Property upon such terms and conditions as the Trustee deems proper; (iv) contract for goods and services, hire agents, employees and counsel, make repairs, alterations and improvements to the Property necessary, in the Trustee's judgment, to protect or enhance the security of the Mortgage; to incur the risks and obligations ordinarily incurred by owners of property (without any personal obligation on the part of the receiver); and/or (v) take any and all other actions which may be necessary or desirable to comply with the Hotel Corporation's obligations under the Mortgage. All sums realized by the Trustee under this subparagraph, less all costs and expenses incurred by it under this subparagraph, including reasonable attorneys' fees, and less such sums as the Trustee deems appropriate as a reserve to meet future expenses under this subparagraph, shall be applied on any indebtedness secured by the Mortgage in such order as the Trustee shall determine. Neither application of said sums to said indebtedness nor any other action taken by the Trustee under this subparagraph shall cure or waive any Event of Default or notice of default under the Mortgage or nullify the effect of any such notice of default. The Trustee, or any employee or agent of the Trustee, or a receiver appointed by a court, may take any action or proceeding under the Mortgage without

regard to (A) the adequacy of the security for the indebtedness secured thereunder, (B) the existence of a declaration that the indebtedness secured thereby has been declared immediately due and payable, or (C) the filing of a notice of default;

(e) In connection with the foreclosure of the Mortgage, to sell the Property, as an entirety or in separate lots or parcels under the judgment or decree of a court of competent jurisdiction. In connection with any sale or sales under the Mortgage, the Trustee may elect to treat any of the Property which consists of a right in action or which is property that can be severed from the real property covered thereby or any improvements thereon without causing structural damage thereto as if the same were personal property or a fixture, as the case may be, and dispose of the same in accordance with applicable law, separate and apart from the sale of real property. Any sale of any personal property or fixtures under the Mortgage shall be conducted in any manner permitted by the South Carolina Uniform Commercial Code. After deducting all costs, fees and expenses of the Trustee, including all costs of evidence of title and reasonable attorneys' fees in connection with sale, the Trustee shall apply the proceeds of such sale to payment of all sums so expended under the terms of the Mortgage not then repaid, the payment of all other sums then secured thereby; and the remainder, if any, to the person or persons legally entitled thereto;

(f) Upon any foreclosure sale, the Trustee may bid for and purchase the Property and, upon compliance with the terms of sale, may hold, retain and possess, and dispose of the Property in its own absolute right without further accountability.

(g) To resort to and realize upon the security under the Mortgage and any other security now or hereafter held by the Trustee in such order and manner as the Trustee may, in its sole discretion, determine; and resort to any or all such security may be taken concurrently or successively and in one or several consolidated or independent judicial actions or lawfully taken non-judicial proceedings, or both.

Conditions for Release

Without affecting the liability of any person for payment of any indebtedness secured by the Mortgage, or the lien or priority of the Mortgage upon the Property, the Trustee may, from time to time, with or without notice, do one or more of the following: (a) release any person's liability for the payment of an indebtedness secured thereby, (b) make any agreement or take any action extending the maturity or otherwise altering the terms or increasing the amount of any indebtedness secured thereby, and (c) accept additional security or release all or a portion of the Property and/or other security held to secure the indebtedness secured thereby.

THE SUBORDINATION AGREEMENT

Provisions Regarding Qualified Management Agreement

Event of Default

The Subordination Agreement provides that at any time after Trustee has given notice to the Hotel Corporation (with a copy to Manager) of the occurrence or existence of an Event of Default, and so long as such Event of Default is continuing, the Trustee shall be entitled to exercise any and all rights of the Hotel Corporation under the Qualified Management Agreement in accordance with the terms thereof, and Manager shall permit and comply in all respects with such exercise. The Trustee may cure any event of default by the Hotel Corporation under the Qualified Management Agreement as provided therein, and may perform any act, duty or obligation required to be performed by Hotel Corporation under the Qualified Management Agreement; provided, however, that nothing in the Subordination Agreement requires the Trustee to cure any such default or to perform any such act, duty or obligation.

Subordination

Manager has acknowledged and agreed that the Qualified Management Agreement and Manager's interest thereunder are subordinate and inferior to the liens and security interests created for the benefit of Trustee under the Indenture and the Assignment; provided, however, that the foregoing is not intended and shall not be construed as a

subordination of Manager's rights to receive any payments for fees and reimbursements (other than Subordinate Management Fees).

Notice of Default: Right to Cure

Manager shall give Trustee prior written notice of any event of default by the Hotel Corporation under the Qualified Management Agreement with respect to which Manager intends to take any action (including, without limitation, any action to terminate the Qualified Management Agreement and/or to withhold any payments thereunder). Manager shall not take any action with respect to such default until the expiration of 45 days (20 days in the case of any payment default) after Trustee's receipt of such notice; provided, however, that if, under the Qualified Management Agreement, the Hotel Corporation is entitled to more than 45 days (20 days in the case of any payment default) in which to cure such event of default, then Trustee shall similarly be entitled to such longer cure period. If such event of default has not been cured by the expiration of the cure period, regardless of whether an Event of Default has occurred and is continuing, or whether Trustee has exercised any rights or remedies with respect thereto, Manager shall have all the rights otherwise available to it under the Qualified Management Agreement, at law and in equity (including, without limitation, the right to terminate the Qualified Management Agreement).

If the Qualified Management Agreement is rejected by a trustee or debtor-in-possession in any bankruptcy or insolvency proceeding involving the Hotel Corporation, and if within 90 days after such rejection (or such shorter period within which Manager may be required to cease its activities pursuant to such a proceeding, but in no event later than ten days prior to any such required cessation of activities) ("QMA Post Rejection Period"), Trustee shall certify in writing to Manager whether or not it intends to perform the obligations of the Hotel Corporation as and to the extent required under the Qualified Management Agreement, and subject to the provisions of the Qualified Management Agreement, upon Trustee's request Manager will execute and deliver to Trustee a new Qualified Management Agreement. Manager and Trustee shall agree under such new Qualified Management Agreement to perform the obligations contemplated to be performed by Manager and the Hotel Corporation, respectively, under the prior Qualified Management Agreement, and such new Qualified Management Agreement shall be for a term equal to the remaining term under the prior Qualified Management Agreement before giving effect to such rejection. Under no circumstances shall Manager be required to continue performing services pursuant to the Qualified Management Agreement during the QMA Post Rejection Period unless Manager is paid all fees and other obligations which accrue during the QMA Post Rejection Period pursuant to the Qualified Management Agreement.

Attornment

In addition, at any time after Trustee has acquired title to the Real Property, through foreclosure or deed in lieu of foreclosure, Manager shall attorn to the Trustee and be bound by all of the terms, covenants and conditions of the Qualified Management Agreement for so long as the Qualified Management Agreement shall be in effect with the same force and effect as if the Trustee were the Hotel Corporation under the Qualified Management Agreement. Such attornment shall be effective and self-operative as an agreement between Manager and Trustee without the execution of any further instruments on the part of any party.

Provisions Regarding License Agreement

At any time after the Trustee has given notice to the Hotel Corporation (with a copy to Licensor) of the occurrence or existence of an Event of Default, and so long as such Event of Default is continuing, Trustee shall be entitled to exercise any and all rights of the Hotel Corporation under the License Agreement in accordance with the terms thereof, and Licensor shall permit and comply in all respects with such exercise. Trustee may cure any event of default by the Hotel Corporation under the License Agreement as provided therein, and may perform any act, duty or obligation required to be performed by the Hotel Corporation under the License Agreement; provided, however, that nothing in the Subordination Agreement requires the Trustee to cure any such default or to perform any such act, duty or obligation.

Subordination

Licensors acknowledge and agree that the License Agreement and Licensors' interest thereunder are subordinate and inferior to the liens and security interests created for the benefit of Trustee under the Indenture and the Assignment; provided, however, that the foregoing is not intended and shall not be construed as a subordination of Licensors' rights to receive any license fees under the License Agreement.

Notice of Default: Right to Cure

Licensors shall give the Trustee prior written notice of any event of default by the Hotel Corporation under the License Agreement with respect to which Licensors intend to take any action (including, without limitation, any action to terminate the License Agreement). Licensors shall not take any action with respect to such default until the expiration of 45 days (20 days in the case of any payment default) after Trustee's receipt of such notice; provided, however, that if, under the License Agreement, the Hotel Corporation is entitled to more than 45 days (20 days in the case of any payment default) in which to cure such event of default, then Trustee shall similarly be entitled to such longer cure period. If such event of default has not been cured by the expiration of the cure period provided herein, regardless of whether an Event of Default has occurred and is continuing, or whether Trustee has exercised any rights or remedies with respect thereto, Licensors shall have all the rights otherwise available to it under the License Agreement, at law and in equity (including, without limitation, the right to terminate the License Agreement).

If the License Agreement is rejected by a trustee or debtor-in-possession in any bankruptcy or insolvency proceeding involving the Hotel Corporation, and if within 90 days after such rejection (or such shorter period within which Licensors may be required to cease its activities pursuant to such a proceeding, but in no event later than ten days prior to any such required cessation of activities) (the "License Agreement Post Rejection Period"), the Trustee shall certify in writing to Licensors whether or not it intends to perform the obligations of the Hotel Corporation as and to the extent required under the License Agreement, and subject to the provisions of the Subordination Agreement, upon Trustee's request Licensors will execute and deliver to Trustee a new License Agreement. Licensors and Trustee shall agree under such new License Agreement to perform the obligations contemplated to be performed by Licensors and the Hotel Corporation, respectively, under the original License Agreement, and such new License Agreement shall be for a term equal to the remaining term under the original License Agreement before giving effect to such rejection.

Right to Terminate

After acquiring title or possession to the Real Property, including any leasehold interest therein, through foreclosure, deed in lieu of foreclosure, assignment or similar proceeding, Trustee may terminate the License Agreement without cause in accordance with the provisions of the Subordination Agreement.

At any time after acquiring title to the Real Property, through foreclosure or deed in lieu of foreclosure, assignment or otherwise, Trustee may exercise all rights of the Hotel Corporation under the License Agreement to terminate the License Agreement, subject to and in accordance with the terms thereof.

Attornment

Subject to the provisions of the Subordination Agreement, at any time after Trustee has acquired title to the Real Property, through foreclosure or deed in lieu of foreclosure, Licensors shall attorn to Trustee and be bound by all of the terms, covenants and conditions of the License Agreement for so long as the License Agreement shall be in effect with the same force and effect as if Trustee were the Hotel Corporation under the License Agreement. Such attornment shall be effective and self-operative as an agreement between Licensors and Trustee without the execution of any further instruments on the part of any party.

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APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of January 28, 2015, is executed and delivered by Myrtle Beach Convention Center Hotel Corporation, a South Carolina nonprofit corporation (the “Hotel Corporation”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Hotel Corporation through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Hotel Corporation or anyone on the Hotel Corporation’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Hotel Corporation for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Hotel Corporation and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the chief financial officer or other officer of the Hotel Corporation or his or her designee, or such other person as the Hotel Corporation shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Hotel Corporation pursuant to Section 9 hereof.

“Failure to File Event” means the Hotel Corporation’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having 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) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Issuer” means the South Carolina Jobs-Economic Development Authority.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Hotel Corporation, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Hotel Corporation shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than seven months after the end of each fiscal year of the Hotel Corporation, commencing with the fiscal year ending June 30, 2015. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as

separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Hotel Corporation of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Hotel Corporation will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Hotel Corporation irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Hotel Corporation are prepared but not available prior to the Annual Filing Date, the Hotel Corporation shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Hotel Corporation pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"
2. "Non-Payment related defaults, if material;"
3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"

7. “Modifications to rights of securities holders, if material;”
8. “Bond calls, if material;”
9. “Defeasances;”
10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
11. “Rating changes;”
12. “Tender offers;”
13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
14. “Merger, consolidation, or acquisition of the obligated person, if material;” and
15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Hotel Corporation pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”
2. “change in obligated person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Hotel Corporation pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

(viii) provide the Hotel Corporation evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Hotel Corporation may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Hotel Corporation and the information provided in the tables of the Official Statement under the headings:

(i) “THE CONVENTION CENTER – Event Solicitation Priorities & Results” which show actual events, room-nights, total attendance and percentage occupancy with respect to the Myrtle Beach Convention Center for the five most recently completed fiscal years and projected events, room-nights and attendance for the following four fiscal years.

(ii) “HISTORICAL PERFORMANCE” which shows operating results for the most recently completed Fiscal Year.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Hotel Corporation is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Hotel Corporation will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary

course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Hotel Corporation shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Hotel Corporation desires to make, contain the written authorization of the Hotel Corporation for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Hotel Corporation desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Hotel Corporation or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Hotel Corporation determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Hotel Corporation desires to make, contain the written authorization of the Hotel Corporation for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Hotel Corporation desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Hotel Corporation as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Hotel Corporation shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Hotel Corporation acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Hotel Corporation, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Hotel Corporation acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Hotel Corporation may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Hotel Corporation desires to make, contain the written authorization of the Hotel Corporation for the Disclosure Dissemination Agent to disseminate

such information, and identify the date the Hotel Corporation desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Hotel Corporation as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Hotel Corporation may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Hotel Corporation desires to make, contain the written authorization of the Hotel Corporation for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Hotel Corporation desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Hotel Corporation as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Hotel Corporation is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Hotel Corporation from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Hotel Corporation chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Hotel Corporation shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Hotel Corporation and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Hotel Corporation is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Hotel Corporation has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Hotel Corporation may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Hotel Corporation or DAC, the Hotel Corporation agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Hotel Corporation shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Hotel Corporation.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Hotel Corporation or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a

party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Hotel Corporation has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Hotel Corporation and shall not be deemed to be acting in any fiduciary capacity for the Hotel Corporation, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Hotel Corporation's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Hotel Corporation has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Hotel Corporation at all times.

The obligations of the Hotel Corporation under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Hotel Corporation.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Hotel Corporation and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Hotel Corporation and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Hotel Corporation or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Hotel Corporation. No such amendment shall become effective if the Hotel Corporation shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Hotel Corporation, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Hotel Corporation have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

MYRTLE BEACH CONVENTION CENTER HOTEL
CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: South Carolina Jobs-Economic Development Authority
Obligated Person(s): Myrtle Beach Convention Center Hotel Corporation
Name of Bond Issue: Refunding Revenue Bonds (City of Myrtle Beach Project)
Date of Issuance: January 28, 2015
Date of Official Statement: January 15, 2015

CUSIP Numbers:

<u>Maturity</u> <u>April 1</u>	<u>CUSIP</u>	<u>Maturity</u> <u>April 1</u>	<u>CUSIP</u>
2016	837036EC2	2027	837036EP3
2017	837036ED0	2028	837036EQ1
2018	837036EE8	2029	837036ER9
2019	837036EF5	2030	837036ES7
2020	837036EG3	2031	837036ET5
2021	837036EH1	2032	837036EU2
2022	837036EJ7	2033	837036EV0
2023	837036EK4	2034	837036EW8
2024	837036EL2	2035	837036EX6
2025	837036EM0	2036	837036EY4
2026	837036EN8		

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: South Carolina Jobs-Economic Development Authority
Obligated Person(s): Myrtle Beach Convention Center Hotel Corporation (the "Hotel Corporation")
Name of Bond Issue: Refunding Revenue Bonds (City of Myrtle Beach Project)
Date of Issuance: January 28, 2015
Date of Disclosure Agreement: January 28, 2015

CUSIP Numbers:

<u>Maturity</u> <u>April 1</u>	<u>CUSIP</u>	<u>Maturity</u> <u>April 1</u>	<u>CUSIP</u>
2016	837036EC2	2027	837036EP3
2017	837036ED0	2028	837036EQ1
2018	837036EE8	2029	837036ER9
2019	837036EF5	2030	837036ES7
2020	837036EG3	2031	837036ET5
2021	837036EH1	2032	837036EU2
2022	837036EJ7	2033	837036EV0
2023	837036EK4	2034	837036EW8
2024	837036EL2	2035	837036EX6
2025	837036EM0	2036	837036EY4
2026	837036EN8		

NOTICE IS HEREBY GIVEN that the Hotel Corporation has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Hotel Corporation and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Hotel Corporation has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Hotel Corporation

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

___ Description of Notice Events (Check One):

1. ___ "Principal and interest payment delinquencies;"
2. ___ "Non-Payment related defaults, if material;"
3. ___ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. ___ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. ___ "Substitution of credit or liquidity providers, or their failure to perform;"
6. ___ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. ___ "Modifications to rights of securities holders, if material;"
8. ___ "Bond calls, if material;"
9. ___ "Defeasances;"
10. ___ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. ___ "Rating changes;"
12. ___ "Tender offers;"
13. ___ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. ___ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. ___ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

___ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of January 28, 2015 between the Myrtle Beach Convention Center Hotel Corporation and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

**EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of January 28, 2015 between the Myrtle Beach Convention Center Hotel Corporation and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1. _____ "quarterly/monthly financial information;"
2. _____ "change in fiscal year/timing of annual disclosure;"
3. _____ "change in accounting standard;"
4. _____ "interim/additional financial information/operating data;"
5. _____ "budget;"
6. _____ "investment/debt/financial policy;"
7. _____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. _____ "consultant reports;" and
9. _____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

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APPENDIX F
FORM OF OPINION OF BOND COUNSEL

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[Date of Delivery]

South Carolina Jobs-Economic Development Authority
Columbia, South Carolina

Re: \$16,405,000 South Carolina Jobs-Economic Development Authority Refunding Revenue Bonds (City of Myrtle Beach Project), Series 2015

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the South Carolina Jobs-Economic Development Authority (the "Issuer") of the above-referenced bonds (the "Bonds"). The Bonds have been issued pursuant to a Bond Resolution adopted by the Board of Directors of the Issuer on December 10, 2014, and a Second Amended and Restated Trust Indenture dated as of January 1, 2015 (the "Indenture"), between the Issuer and U.S. Bank National Association, successor to First Union National Bank, as trustee (the "Trustee"). The Issuer has entered into a Second Amended and Restated Loan Agreement dated as of January 1, 2015 (the "Loan Agreement") with the Myrtle Beach Convention Center Hotel Corporation (the "Corporation"), pursuant to which the proceeds of the Bonds have been loaned by the Issuer to the Corporation. Capitalized terms used herein, not otherwise defined herein, shall have the meanings specified in the Indenture.

The Issuer will loan the proceeds of the Bonds to the Corporation to be used, together with other available funds, to (i) refinance the outstanding principal amount of the \$23,500,000 original principal amount South Carolina Jobs-Economic Development Authority Subordinate Revenue Bonds (Myrtle Beach Convention Center Hotel Project), 2001 Series B (the "Prior Bonds"), (ii) fund a debt service reserve fund for the Bonds, and (iii) pay certain costs of issuance with respect to the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of and compliance with covenants by the Corporation and the Issuer contained in the Loan Agreement, the Indenture, the Tax Agreement of even date herewith between the Corporation and the Issuer, certificates of public officials furnished to us and certificates of representatives of the Corporation, the Issuer and other parties, including, without limitation, representations, covenants and certifications as to the use of the proceeds of the Prior Bonds, compliance with applicable arbitrage reporting and rebate requirements and other factual matters which are relevant to the opinion expressed in paragraph 4, in each case without undertaking any independent verification. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the issuance of the Bonds have been duly authorized, executed and delivered by all parties thereto other than the Issuer, and we have further assumed the due organization, existence and powers of such other parties other than the Issuer.

As bond counsel, we have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering the specific opinion herein stated and for no other purpose. We have not verified the accuracy, completeness or fairness of any representation or information concerning the business or financial condition of the Corporation in connection with the sale of the Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We refer you to the Bonds, the Indenture and the Loan Agreement for a further description of the Bonds, the purposes for which the Bonds are issued, the uses of the proceeds from the sale of the Bonds and the security therefor. With respect to the organization of the Corporation, the power of the Corporation to enter into and perform its obligations under the Loan Agreement and the other documents to which it is a party, the due authorization, execution and delivery by the Corporation of the Loan Agreement and the other documents to which the Corporation is a party and the validity and enforceability thereof against the Corporation, we refer you to the opinion of Nelson Mullins Riley & Scarborough LLP, as counsel to the Corporation, of even date herewith.

The Bonds recite that they are issued pursuant to the Constitution and laws of the State of South Carolina, particularly Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "Act").

Based on our examination, we are of the opinion on the date of initial delivery of the Bonds as follows:

1. The Issuer is a validly existing public body corporate and politic and an agency of the State of South Carolina (the "State"), with power to issue the Bonds.

2. The Bonds have been duly authorized and executed by the Issuer and are valid and binding limited obligations of the Issuer, payable by the Issuer solely from the revenues pledged to such purpose under the Indenture.

3. Each of the Loan Agreement and the Indenture has been duly authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms. All of the Issuer's rights under the Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees and certain other unassigned rights), and amounts on deposit in certain funds and accounts created under the Indenture, have been validly assigned to the Trustee.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes). The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Corporation have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

5. Under present law, the Bonds and the interest thereon are exempt from taxation by the State of South Carolina, the municipalities and other political subdivisions in the State of South Carolina, except for estate or other transfer taxes. It should be noted, however, that Section 12-11-20, 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 on the entire net income of such bank which includes interest paid on the Bonds.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement relating to the Bonds, or regarding the perfection or priority of the lien on revenues or other funds created by the Indenture. We note that, unless perfected, the lien on revenues or other funds created by the Indenture may not be effective. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be 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 may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof and we assume no obligation to update 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.

McNAIR LAW FIRM, P.A.

APPENDIX G
GENERAL INFORMATION
WITH RESPECT TO THE CITY OF MYRTLE BEACH, SOUTH CAROLINA

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THE CITY

Services Provided

Tax-Supported Services

The City provides various local services which are funded primarily from the City's *ad valorem* tax levy and business license fees. These services include public works, construction services, parks and recreation, police and fire. The City also collects fees and user charges to offset the cost of providing certain of these services. See "FINANCIAL INFORMATION."

In order to provide these services, the City presently employs approximately 848 regular positions, which are full-time positions of 40 hours per week with full benefit packages, or part-time positions of 30 or more hours per week with eligibility for *pro rata* benefits. The table of authorized positions follows:

	<u>Program</u>	2013-14 <u>Regular Positions</u>
Direct City Services		
	Municipal Court	16
	Victim's Advocate	3
	Convention Center	36
	Police	271
	Fire	158
	Cultural & Leisure Services	129
	Golf Course	10
	Public Works	137
	Construction Services	19
	Planning	<u>8</u>
	Total Direct City Services	<u>787</u>
Policy, Management & Support Services		
	City Council	1
	City Attorney	4
	City Manager	9
	Budget & Evaluation	3
	Public Information	1
	Human Resources	6
	Finance	<u>37</u>
	Total Policy, Management & Support Services	<u>68</u>
Total Regular Allocated Positions		<u>848</u>

Under State law, the City is not allowed to negotiate with collective bargaining groups. The City considers itself to have good relations with its employees.

Revenue-Supported Services

Water and Sewer System. The City employs approximately 56 people in managerial, clerical, maintenance and other capacities relating to the City's water and sewer system (the "System"). As of December 31, 2013, the System provided water services to 17,579 water customers, including 3,243 out-of-City customers, and sewer services to 15,588 customers including 2,554 out-of-City customers.

The System is a wholesale customer of Grand Strand Water and Sewer Authority ("GSWSA"). The System acts as a retailer of water and sewer services, having sold its surface water treatment facility and its wastewater treatment facility (collectively, the "Treatment Plants") to GSWSA in June 2006 pursuant to a Purchase and Sale and Water and Wastewater Service Agreement (the "Agreement") between the City and GSWSA. The

purpose of the sale was to gain efficiencies by virtue of GSWSA's greater freedom of movement in constructing new or expanded treatment facilities and its ability to distribute fixed costs across a broader customer base. The City expects that its contract with GSWSA will ensure adequate water and wastewater treatment capacity for the foreseeable future.

The proceeds derived from the sale of the Treatment Plants were used by the City to defease certain prior indebtedness of the City secured by a pledge of revenues of the System.

Under the Agreement, GSWSA covenants to operate and maintain its system and the Treatment Plants in a sound and efficient manner to provide wholesale water and wastewater treatment to the City. Water and wastewater service charges are based on metered flow and reflect costs of operation, maintenance, debt service, renewal, replacement, upgrade and expansion of the Treatment Plants and other costs directly associated with providing water and wastewater service to the City. GSWSA further covenants to expand its treatment facilities on a timely basis to insure adequate capacity to meet its obligations under the Agreement. Other than as set forth therein, the Agreement has no effect upon, and confers no rights to GSWSA in, the service area of the System. The Agreement has no termination provisions and shall inure to the benefit of any successors to the City or GSWSA.

The service area of the System includes the City and certain sections of unincorporated territory adjacent to the City to the north and west. The area presently served by the waterworks portion of the System is concentrated in developed areas within the service area and encompasses approximately 18 square miles. The sewer portion of the System is also presently concentrated in the developed areas of the City and the rest of the service area, but serves a slightly smaller area.

The City's water distribution system had its beginnings in the 1930s. The City presently maintains 375.45 miles of distribution lines varying in diameter from 2 inches to 48 inches. The City purchases treated water at wholesale rates from GSWSA.

The City's wastewater collection system was initiated in the early 1940's utilizing the concept of separate sanitary and storm water collection systems. Due to the topography of the service area, the utilization of lift stations is necessary to avoid the construction of very deep collection lines. The City presently maintains 140 pump stations and approximately 109.71 miles of force mains within the System service area. In addition, the System consists of approximately 230.69 miles of gravity collection lines varying from six inches to 48 inches in diameter. The City contracts with GSWSA for wastewater treatment.

Solid Waste Management

The City's Public Works Department operates a system of solid waste collection, solid waste transfer, transportation of waste to the County landfill and various commercial and residential recycling programs. The fee structure is set at rates that are low to moderate in comparison with local private providers. The system is largely self-supporting from fees charged for services.

Golf Course

The City owns Whispering Pines Golf Course, a high-quality golf course focused upon excellent customer service. The course provides above-average availability at discount rates for the local golf clientele, while marketing a reasonable share of its available tee times to non-local players at competitive rates. Whispering Pines was acquired from the Air Force by public benefit transfer. Local play accounted for about 60.05% of 35,883 rounds played in the Fiscal Year ended June 30, 2013. In the Fiscal Year ended June 30, 2014, local play accounted for 57.85% of the 34,009 rounds played.

Capital Improvement Plans

The City annually updates a five-year general capital improvement plan. The most recently updated plan provides for \$31,995,000 in capital improvements over the five-year period from July 1, 2015 through June 30, 2019. In the first two Fiscal Years of the plan, the City identified \$19,110,000 to undertake projects pursuant to the plan. These amounts include \$2,145,000 for renewal and replacement projects associated with existing City

facilities, \$12,085,000 for maintenance and improvements of City parks and recreational infrastructure and \$4,880,000 toward enhancements and renewal of roadways and transportation systems.

Previous capital improvement plans have authorized certain other projects which are in various stages of financing, design or construction.

Fringe Benefits, Retirement and Health Insurance

City employees participate in either the South Carolina Police Officers Retirement System (“PORS”) or the South Carolina Retirement System (“SCRS”) depending on their duties. Both plans are administered by the South Carolina Retirement Systems and are classified as cost-sharing multiple-employer defined benefit public retirement systems. Each plan provides retirement disability and death benefits to plan members and beneficiaries. Benefit provisions are established under the authority of Title 9 of the South Carolina Code of Laws. The South Carolina Retirement Systems issue a Comprehensive Annual Financial Report which discloses detailed information regarding benefit provisions and actuarial information. This report is available to the public and may be obtained by writing to the South Carolina Retirement Systems, Post Office Box 11960, Columbia, South Carolina 29211.

Members of the PORS and SCRS are required to contribute 7.0% of their covered wages. The City is required to contribute at actuarially determined rates, currently 13.41% of PORS member wages and 10.9% of SCRS member wages. The contribution requirements of plan members and the City are established and may be amended by the South Carolina Retirement Systems. The City's contributions to the PORS for the years ended June 30, 2014, 2013 and 2012 were \$2,378,087, \$2,270,986 and \$2,099,048, respectively. The City's contributions to the SCRS for the years ended June 30, 2014, 2013 and 2012 were \$2,146,052, \$2,099,399 and \$1,813,825, respectively. The contributions made by the City to the PORS and SCRS, as shown above, were equal to the required contributions for each year.

The City has established a Health Insurance Fund, an internal service fund, to account for and finance employee medical claims. The Health Insurance Fund provides coverage for claims up to \$125,000 per employee per year. The City purchases commercial insurance for claims in excess of \$125,000. Settled claims did not exceed the City's commercial coverage during any of the past three years.

The Health Insurance Fund allocates the costs of providing claims servicing and claims payment to other funds by charging them a “premium” based on estimates of the amounts needed to pay prior and current claims. At June 30, 2014, the Health Insurance Fund has a claim liability of \$457,417, which is based on the requirements of Governmental Accounting Standards Board Statement No. 10. A summary of changes in the Health Insurance Fund's claims liability during the years ended June 30, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Beginning Balance	\$ 487,646	\$ 564,303
Claims Incurred and Change in Estimate	6,627,534	6,532,423
Claim Payments	<u>(6,657,763)</u>	<u>(6,609,080)</u>
Ending Balance	<u>\$ 457,417</u>	<u>\$ 487,646</u>

The City is also self-insured for unemployment benefits. Claims are administered by the South Carolina Employment Security Commission and are then reimbursed by the City. No liability has been accrued at year-end for potential claims at June 30, 2015, as they are expected to be minimal.

The City offers its employees deferred compensation plan alternatives created in accordance with Sections 401(k) and 457 of the Code. The plan is available to all City employees and permits them to defer a portion of their salaries until future years. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plans), subject only to the claims of the City's general creditors. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Participants' rights under the plans are equal to those of general creditors of the City in the amount equal to the fair market value of the deferred account for each participant. The City has no liability for losses under the plans, but

does have the duty of due care that would be of an ordinary prudent investor. The City believes that it is highly unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The City has paid all required contributions for fringe benefits and insurance as they have come due. There are no liabilities for underfunding of such benefits.

Until July 1, 2009, the City provided post-employment health care benefits to employees who retired and were receiving benefits from the South Carolina Retirement Systems, provided they had at least 20 years of service with the City, the last ten of which had to be consecutive. At June 30, 2008, 75 retirees were receiving post-employment health care benefits. Prior to July 1, 2009, the City financed and recognized as an expense health care costs for eligible retired employees in the period of payment. During the Fiscal Year ended June 30, 2008, the cost of retiree health care totaled \$399,227.

Beginning July 1, 2009, the City no longer provided post-employment coverage on a defined-benefit basis. Instead, the City began to contribute a fixed amount into a Retiree Health Reimbursement Arrangement (“RHRA”) on behalf of each current retiree. Retirees under 65 years of age may elect to purchase coverage in the City's plan by paying an age-based premium or they may purchase their coverage from a private provider. They may use any balances in their RHRA accounts to reimburse themselves for premiums or other medical costs. Retirees who are 65 years of age or older receive a smaller contribution annually into their RHRA accounts and may use any balances available in their accounts to reimburse themselves for the purchase of Medicare supplement policies and other medical costs.

For all current employees, whether or not they are already receiving benefits from the South Carolina Retirement Systems, the City makes contributions to a RHRA with a value of as much as \$100,000 per retiree after 20 years of service. The RHRA is provided for the benefit of employees who (a) retire and are receiving benefits from the South Carolina Retirement Systems and (b) have to their credit at least 20 years of service as an employee of the City, the last ten of which must have been consecutive. For employees hired subsequent to July 1, 2008, the RHRAs are funded by means of annual contributions made at the conclusion of each year of active service. Those hired prior to that date and not yet having completed 20 years of service continue to earn annual contributions in each year of service through the twentieth year. The total Annually Required Contribution (ARC) for the Fiscal Year ending in July 2014 was approximately \$2.5 million. Appropriations for the funding of the ARC have been provided in the Fiscal Year 2015 budget. The City's aggregate liability for “catch-up contributions” to the Reimbursement Arrangement representing benefits earned as the result of prior service as of June 30, 2009 was in the range of \$21.5 million. The City began to amortize that amount in Fiscal Year 2009. The 2015 budget includes the annual contribution required for the amortization of the catch-up contribution.

Liability Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Self Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss for worker's compensation, general liability and property damage. Under this program, the Self Insurance Fund provides coverage for up to a maximum of \$400,000 for each worker's compensation claim, \$250,000 for each general liability claim and \$25,000 for each property damage claim. The City purchases commercial insurance for claims in excess of coverage provided by the Self Insurance Fund. Settled claims have not exceeded the City's commercial coverage in any of the past three years.

The Self Insurance Fund allocates the costs of providing claims servicing and claims payment to other funds by charging them a “premium” based on estimates of the amounts needed to pay prior and current claims. At June 30, 2014, the Self Insurance Fund had a claim liability of \$2,070,483. The liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A summary of changes in the Self Insurance Fund's claims liability during the Fiscal Years 2013 and 2014 follows:

	<u>2014</u>	<u>2013</u>
Beginning Balance	\$ 2,533,007	\$ 1,978,361
Claims Incurred and Change in Estimate	778,920	1,893,951
Claim Payments	<u>(1,241,444)</u>	<u>(1,339,305)</u>
Ending Balance	<u>\$ 2,070,483</u>	<u>\$ 2,533,007</u>

TAX INFORMATION

Property Taxation and Assessment

Article X, Section 1 of the State Constitution requires equal and uniform assessments of property throughout the State for the following classes of property and at the following ratios of fair market value of such property:

(i) Real and personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business - 10.5% of fair market value. Certain real property owned by, or leased to, manufacturers for use in “research and development,” office buildings and warehousing and wholesale distribution of wearing apparel is excluded from this classification, and would be subject to the six percent assessment ratio for other real property. Certain new industrial facilities may be entitled to pay a “fee-in-lieu-of-taxes” computed on an assessment ratio of not less than six percent of original cost less depreciation. See “Exempt Manufacturing Property” herein;

(ii) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business - 9.5% of fair market value;

(iii) Legal residence and not more than five contiguous acres – four percent of fair market value (if the property owner makes proper application and qualifies);

(iv) Agricultural real property used for such purposes owned by individuals and certain corporations – four percent of use value (if the property owner makes proper application and qualifies);

(v) Agricultural property and timberlands belonging to corporations having more than ten shareholders – six percent of use value (if property owner makes proper application and qualifies);

(vi) All other real property - six percent of fair market value;

(vii) Business inventories - six percent of fair market value (as of 1988, an exemption is available from taxation of property in this category, hence this item is no longer significant, except that the assessed value of business inventory as of tax year 1987 is taken into account in determining total assessed value for purposes of the bonded debt limit);

(viii) All other personal property - 10.5% of fair market value; and

(ix) Motor vehicles for personal use - 6.00%.

The Department of Revenue has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within the County. State statutes provide that,

notwithstanding any other provision of law, each county will appraise and equalize the properties within its jurisdiction once every fifth year. The latest reassessment in the County was effective for the 2010 tax year (Fiscal Year 2011).

The County Assessor appraises and assesses all the real property and mobile homes located within the County and certifies the results to the County Auditor. The County Auditor appraises and assesses all motor vehicles, marine equipment, business personal property and airplanes. The Department of Revenue furnishes guides for use by the County in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and business equipment.

Each year the Department of Revenue certifies its assessments to the County Auditor who prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares tax bills and then in September charges the County Treasurer with the collection. South Carolina has no statewide property tax.

Property Tax Reform

During its 2006 session, the South Carolina General Assembly (the "General Assembly") enacted Act No. 388 ("Act No. 388") that, among other things, (1) authorizes local option sales taxes of up to one percent to provide credits against *ad valorem* taxes imposed on all taxable property, (2) modifies operating millage limits, (3) as approved by a referendum held November 7, 2006, places limitations on increases in the assessed value of real property for *ad valorem* tax purposes, and (4) allows real property taxpayers to elect to pay their taxes in six installments each year for tax years beginning after 2006. The operating millage limits and limitations on increases in assessed value were further modified by the General Assembly in its 2011 session (the "2011 Amendments").

Operating Millage Limits

Act No. 388 amended Section 6-1-320, Code of Laws of South Carolina 1976, as amended, which section generally provides that a local governing body (including city councils) may not increase its millage rate imposed for general operating purposes ("Operating Millage") above the Operating Millage rate from the previous tax year, adjusted for any increase in the average of the 12 monthly consumer price indices ("Average CPI Increase") for the previous calendar year. Prior to the adoption of Act No. 388, a local governing body could increase the Operating Millage beyond such Average CPI Increase (a) for certain limited purposes (such as in response to natural disasters declared by the Governor, to offset a prior year's deficit, to raise moneys to comply with judicial mandates and to meet the minimum required EFA inflation factor projected by the State Budget and Control Board) or (b) in the absence of any such limited purpose, by a positive majority vote of the local governing body (after public notice and an opportunity for comment by the public with respect thereto was given) to override such limit.

After giving effect to the amendments in Act No. 388 and the 2011 Amendments, the local governing body (a) may no longer override the Operating Millage rate increase limitation, except as described herein, (b) may increase the Operating Millage from a previous year (beginning in 2007) by an amount equal to (1) the percentage increase in population of the governmental unit during such previous year plus (2) the Average CPI Increase plus (3) the operating millage increase allowed by operation of clauses (1) and (2), but not imposed, for the three property tax years preceding the year to which the current limit applies, and (c) may by a two-thirds vote of the members of the local governing body increase Operating Millage above the limits described in (2) in response to the following limited events: (A) the deficiency, if any, of the preceding year; (B) any catastrophic event outside the control of the local governing body; (C) compliance with a court order or decree; (D) taxpayer closure due to circumstances outside the control of the local governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year; or (E) compliance with a regulation promulgated or statute enacted by the federal or state government after January 1, 2007, for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government. The limitation on Operating Millage increases does not affect millage that is levied to pay bonded indebtedness or payments for real property purchased using a lease-purchase agreement or used to maintain a reserve account.

Limits on Assessed Value

On November 7, 2006, voters approved a constitutional amendment to enact the new property tax assessment methodology proposed in Act No. 388, which provides that, for property tax years beginning after 2006, the fair market value of real property for *ad valorem* tax purposes must be determined at the later of: (1) property tax year 2007, (2) the date an assessable transfer of interest occurs, (3) the time of a county-wide reassessment, which is required to occur every five years, provided that increases in the fair market value of real property attributable to a periodic county-wide reassessment cannot exceed 15% within a five-year period, or (4) the time of an appeal that results in a redetermination of fair market value. The assessment method of Act No. 388 would add to the fair market value of real property as determined above the fair market value of subsequent improvements and additions to the real property. The 2011 Amendments further provided for an exemption from the increase in assessed value as of the date of an assessable transfer equal to 25% of the assessed value of certain real property subject to a 6% assessment ratio (generally, commercial property and non-owner occupied homes), provided that the capped assessed value cannot be less than the fair market value of the property according to the most-recently completed county-wide reassessment.

Installment Payments of Property Tax

Act No. 388 provides that the local governing body of each county may allow real property taxpayers (except for those paying through an escrow account) to elect to pay their taxes in six installments each year.

Tax Collection Procedure

In the County, taxes are collected for County, municipal and school purposes as a single tax bill which must be paid in full by the individual taxpayer. Taxes are collected on a calendar year basis. Real and personal taxes in the City are payable on or before January 15 of each year with the exception of taxes on motor vehicles. New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice; all other personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for motor vehicles expires. If property taxes, other than taxes on motor vehicles, are not paid on or before January 16, a penalty of three percent is added; if not paid by February 1, an additional penalty of seven percent is added; if not paid on or before March 17, an additional penalty of five percent is added and taxes go into execution. Taxes on motor vehicles are subject to similar penalties measured from due date thereof. Unpaid taxes, both real and personal, constitute a first lien against the property. The County Treasurer is empowered to seize and sell so much of the defaulting taxpayer's estate - real and personal or both - as may be sufficient to satisfy the taxes.

Assessed Value of Taxable Property

The assessed value of all taxable property in the City and in the County for which taxes were levied for the last five Fiscal Years is set forth below:

<u>Fiscal Year Ended June 30,</u>	<u>Assessed Value in City⁽¹⁾</u>	<u>Assessed Value in County⁽¹⁾</u>
2014	\$385,413,779	\$2,084,482,000
2013	380,534,000	2,053,870,000
2012	379,042,000 ⁽²⁾	2,044,718,000
2011	370,317,000 ⁽³⁾	2,028,990,000
2010	447,674,000	2,006,179,000

Source: City and County records.

⁽¹⁾This table does not include any values of property of which the proceeds are restricted for use in a Multi-County Business Park Agreement among the City, the County and a local developer, dating back to 2003. The City does not receive tax payments on that property but receives a negotiated rate of 4% of the Fee-in-Lieu-of-Taxes paid on Multi-County Business Park property.

⁽²⁾In 2012, real property values declined by a few hundred thousand dollars, while a \$4.8 million decline in personal property values was largely offset by a \$4.0 million increase in automotive vehicle values.

⁽³⁾In 2011, the County and all taxing districts inside the County implemented a County-wide reassessment. Property values declined as the result of reductions in market value across all classes of property.

Tax Rates

The millage assessed for City operations, debt service and convention center in the Fiscal Years 2011 through 2015 is set forth below:

	<u>2011</u>	<u>2012</u>	<u>2013⁽²⁾</u>	<u>2014</u>	<u>2015</u>
Operations	55.0	55.0	58.5	58.5	68.5
Debt Service	7.6	7.6	7.6	7.6	6.0
Convention Center	<u>3.5</u>	<u>3.5</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>66.1⁽¹⁾</u>	<u>66.1</u>	<u>66.1</u>	<u>66.1</u>	<u>74.5</u>

Source: City Office of Budget and Evaluation.

⁽¹⁾ As a result of the decline in property values with the implementation of the reassessment in 2011, the millage reset formula yielded a “rollback millage” that was actually higher than the prior year's rate. The increase from the net millage of 62.9 mills in 2010 to 66.1 mills in 2011 is attributable to the reset formula rather than to a tax increase.

⁽²⁾ In 2013, the City adjusted its tax levy to take all property tax receipts into the General Fund. Improvement in the Hotel Corporation's ability to pay amounts due under the Site Lease and Support Facilities Sub-lease allowed the City to discontinue its subsidy of property taxes to the Center.

Tax Collections

The following table shows taxes levied (adjusted to include additions, abatement and *nulla bonae*) for the City, taxes collected as of June 30 of the year following the year in which the levy was made, and the amount of delinquent taxes (which taxes include taxes levied in prior years but collected in the year shown) and the percentage of taxes collected:

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current⁽¹⁾ Taxes Collected</u>	<u>Current⁽¹⁾ Percentage Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Tax Collections</u>	<u>Ratio of Collections to Adjusted Total Tax Levy⁽²⁾</u>
2014	\$20,823,291	\$19,802,198	95.10%	N/A	\$19,802,198	95.10%
2013	21,372,262	20,322,154	95.09	\$ 600,723	20,922,877	97.90
2012	22,344,936	20,799,291	93.08	1,137,680	21,936,971	98.17
2011	25,535,503	24,215,741	94.83	923,678	25,139,419	98.45
2010	28,223,298	26,392,479	93.51	1,486,832	27,879,311	98.78

Source: City Finance Department and County Treasurer.

⁽¹⁾ Taxes collected during the year of levy are classified as current taxes. Current Percentage Collected is the percentage of taxes collected in the year of the levy.

⁽²⁾ The tax levy for any given year is continually adjusted. The net adjustment tends to be a downward adjustment, especially as personal property is removed from the tax base. Thus the ratio of collections to the adjusted total tax levy approaches 100% because (a) the levy typically contracts over time and (b) delinquent taxes are collected on the outstanding levy.

Ten Largest Taxpayers

The ten largest taxpayers in the City for the Fiscal Year 2014 (tax year 2013) are shown below:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
Burroughs & Chapin, Inc.	\$19,692,871	5.11%
Marriott Ownership Resorts, Inc.	4,606,110	1.20
Frontier Communications	4,070,440	1.05
Grand Strand Regional Medical Center	3,536,910	0.92
Coastal Grand, LLC	3,241,205	0.84
Westgate Myrtle Beach, LLC	3,117,324	0.81
Ocean Club Vacations, LLC	2,688,840	0.70
BEI – Beach, LLC	2,246,742	0.58
Columbia Property Myrtle Beach, LLC	2,129,244	0.55
South Beach Resort Myrtle Beach, LLC	<u>1,978,866</u>	<u>0.51</u>
Totals	\$47,308,552	<u>12.27%</u>

Source: *City of Myrtle Beach Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014*

The ten largest taxpayers in the County (by assessed valuation) for the Fiscal Year 2014 (tax year 2013) are shown below:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Assessed Valuation⁽¹⁾</u>
Burroughs & Chapin Inc. & Subsidiaries	\$21,429,525	1.03%
Horry Electric Cooperative Inc.	18,351,177	0.88
Wal-Mart Real Estate Business Trust/Wal-Mart Stores East LP	6,677,138	0.32
Lawyers Title Insurance Corp.	5,713,926	0.27
Bluegreen Vacations Unlimited Inc.	5,167,330	0.25
Marriott Ownership Resorts Inc.	4,784,660	0.23
HRP Myrtle Beach Operations LLC	4,602,570	0.22
Frontier Communications of the Carolinas	4,209,200	0.20
GSP Transportation Inc.	3,643,360	0.17
Horry Telephone Coop./HTC Communications	<u>3,472,430</u>	<u>0.17</u>
Totals	\$78,051,316	3.74%

⁽¹⁾Property that is exempt from the County portion of taxes have been subtracted from Total Assessed Value.

Source: *Horry County Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014*

Exempt Manufacturing Property

Article X, Section 3 of the State Constitution provides that all new manufacturing establishments located in any county after July 1, 1977, and all additions (in excess of \$50,000) to existing manufacturing establishments are exempt from *ad valorem* taxation for five years for county taxes only. No exemption is granted from school or municipal taxes, although municipal governing bodies may by ordinance grant a similar exemption to manufacturing establishments.

The following table sets forth the assessed value of all real and personal property in the County subject to the exemption and, for contrast, the assessed value of all real and personal property in the County actually fully taxable for each of the tax years shown:

<u>Tax Year</u>	<u>Exempt Assessed Value</u>	<u>Fully Taxable Assessed Value*</u>
2013	\$2,434,020	\$2,084,482,000
2012	2,828,290	2,053,870,000
2011	4,767,730	2,044,718,000
2010	4,579,450	2,028,990,000
2009	4,163,240	2,006,179,000

Source: County Assessor and County Auditor.

*Figures do not include merchant's inventory of \$10,571,700.

Estimated True Value of All Taxable Property

The assessed value and estimated true value of all taxable property in the City calculated as of June 30, 2014, was as follows:

<u>Classification of Property</u>	<u>Assessed Value</u>	<u>Estimated True Value</u>
Real Property	\$327,387,347	\$5,925,099,720
Personal Property	<u>58,026,432</u>	<u>967,107,200</u>
Total	\$385,413,779	\$6,892,206,920

Source: County Auditor/City Office of Budget and Evaluation.

Note: The above figures do not include the exemption for industrial real and personal property.

Sales Tax Referenda

South Carolina law provides that, upon a county-wide referendum favorable thereto, there will be imposed a one percent sales and use tax within such county. An amount, not to exceed five percent of the collections from such tax, will be withheld for distribution to other counties, if the county imposing the tax collects \$5,000,000 or more in a particular year. The remainder is divided between a Property Tax Credit Fund and a County/Municipal Revenue Fund. The distribution between those two funds would begin at 63 percent to the Property Tax Credit Fund, 37 percent to the County/Municipal Revenue Fund, changing over a five-year period to 71 percent to the Property Tax Credit Fund and 29 percent to the County/Municipal Revenue Fund. Collections deposited to a Property Tax Credit Fund would be distributed 67 percent to the county and 33 percent to the municipalities in the county based on their respective populations. Collections deposited to the County/Municipal Revenue Fund would be allocated among the county and the municipalities in the county area with 50 percent of such allocation based upon the location of the sale and 50 percent of the allocation based on population. Collections deposited to the Property Tax Credit Fund would be used by the receiving county or municipality to provide a credit against the property tax liability of taxpayers in the county or municipality. Moneys received by a county or municipality from the County/Municipal Revenue Fund may be used for additional expenditures or for a further property tax credit. In practical effect, if the level of expenditures is a given, either use of the moneys would result in a lower tax millage levy than otherwise. If a municipality has adopted a redevelopment plan for a tax increment financed redevelopment project pursuant to the Tax Increment Financing Law, Title 31, Chapter 6, Code of Laws of South Carolina 1976, as amended, a deficiency resulting from the application of the Property Tax Credit Fund to lower tax millage levies must be funded from the municipality's allocation from the County/Municipal Revenue Fund each year so as to provide full funding for the project.

Horry County Council has caused a referendum to be held on the imposition of a local option sales tax in the County three times. On November 6, 1990, the referendum was defeated 17,095 to 11,605. On November 3, 1992, the referendum failed by a margin of 32,829 to 15,583. On November 6, 2001, the referendum failed by a margin of 11,821 to 7,449.

ECONOMIC CHARACTERISTICS AND DATA

Wherever possible below, information for the City and the County has been provided. In cases where such information is unavailable with respect to the City, figures for only the County have been shown. The City's Fiscal Year begins July 1 and ends June 30 of the succeeding year. Where reference is made to a Fiscal Year preceded or followed by a year designation, it means the Fiscal Year ending or ended June 30 of the year so designated.

Commerce and Industry

Tourist Industry

Sixty miles of beaches stretching from Little River at the North Carolina border south to Pawley's Island, South Carolina make up South Carolina's Grand Strand. The coastline is oriented northwest-southwest, with surrounding areas that have no elevations exceeding 50 feet above sea level.

The Grand Strand is a major U.S. tourist center. According to a Tourism Economic Impact report produced by the Travel Industry Association of America, 2013 domestic visitor expenditures in the County exceeded \$3.6 billion, accounting for approximately 31.3% of the \$11.5 billion of domestic visitor expenditures in the State of South Carolina. The County leads all counties of the State in visitor spending, lodging rentals, employment and tax revenues resulting from travel and tourism. The natural assets of the Grand Strand are the Atlantic Ocean and the mild climate. Average temperature for both air and sea water range from 80 degrees during the summer to about 50 degrees during the winter.

Over the past several years, the City and the Grand Strand area have received numerous accolades from regional and national publications. Myrtle Beach ranked as one of the *US News & World Report* "Best Vacations" honoring the City in multiple categories, including #6 Best Family Beach Vacations, #6 Best Family Vacations in the U.S.A., #7 Best Affordable U.S. Vacations, and #9 Best Beaches U.S.A. Myrtle Beach was described as "one of the best East Coast family vacation destinations" and notes that "Southern hospitality is alive and well at Myrtle Beach."

In 2013, Samantha Brown of the Travel Channel rated Myrtle Beach number 1 on her list of Best Travel Spots on her show's website; TripAdvisor.com ranked Myrtle Beach one of its top 25 travel destinations; Huffington Post rated Myrtle Beach number 6 of 15 "restaurant crazy cities" based upon the number of restaurants per capita (over 1,700 restaurants or 24 per 10,000 residents); *Highlights* magazine for children published the results of its poll in which the children responding ranked Myrtle Beach number 3 on the top ten list of most-desired vacation destinations.

Also in 2013, *Stadium Journey* magazine ranked the Baseball Stadium number 19 on its list of 101 Best Stadium Experiences in Sports, and *USA Today* chose the Myrtle Beach Boardwalk as number 12 among its top 25 Best Boardwalks for Food from around the country based upon its reflection of the region, price and quality of ingredients, and Budget Travel picked the Boardwalk as one of America's Most Awesome Boardwalks. Myrtle Beach opened the 1.2 mile Oceanfront Boardwalk in 2010, and it was recognized as the nation's number three boardwalk by *National Geographic* magazine and one of the best U.S. boardwalks by *Travel & Leisure* magazine.

Golf Digest magazine named four Myrtle Beach area golf courses to its 2009-2010 list of "America's Top 100 Great Public Golf Courses." *Golf Digest* also named Myrtle Beach as a "Best Value for the Money Destination" in its 2008 Travel and Destination Survey. According to the Myrtle Beach Area Chamber of Commerce (the "Chamber"), the Grand Strand currently has 102 eighteen-hole championship golf courses hosting more than 3.4 million paid rounds in 2010. A number of specific golf courses, hotels and attractions have been cited for superlative ratings by magazines and agencies including *Travel and Leisure* magazine, Travelocity, *Restaurant Business* magazine and EscapeHomes.com.

In its 50th Anniversary year (2004), *Sports Illustrated* named Myrtle Beach a "Sportstown USA" noting that "its leaders recognize that sports are a tremendous force for good in the community."

Based upon an estimate of annual visitors to the Myrtle Beach area conducted for the Myrtle Beach Area Chamber of Commerce by D. K. Shifflet & Associates, Ltd., approximately 14.0 million people visited the area in

2010. Based upon the Chamber's 2010 conversion study, 16% of the area's visitors came from North Carolina, and 35% from New York, Pennsylvania, Ohio and Virginia. South Carolina, Georgia, Tennessee, Kentucky and Michigan round out the top ten states whose residents visit the area. In 2010, the Chamber received nearly 15,000 inquiries from foreign countries. About 98% of those came from Canada, with most of the remaining 2% coming from England, Germany, France and the United Kingdom.

According to the Chamber's 2012 In-Market Visitor Profile Study, the destination continues to attract adults traveling with children in an average party size of five members. Of all travel party types, 62% are families, 29% are couples, 4% are groups of three or more adults, 3% are single adults and 2% are single adults with children. The average length of stay in 2012 was six days for leisure travelers, up from five days in the previous year, and three days for business travelers, the same as the year before. Grand Strand leisure travelers spent an average of \$121 per person per day, up from \$104 in the previous year, and group business travelers an average of \$262 per person per day, up from the previous year's \$217. Most Grand Strand visitors (86%) used their own cars as their primary means of transportation. Most visitors (50%) stayed in hotels, while 32% stayed in condominiums or villas.

Average annual hotel and motel occupancy rates on the Grand Strand stood at 51.9% in 2013, with the peak monthly occupancy reaching 83.8% in August of that year. The average daily rate (ADR) for 2013 was \$108.63 per room, with a peak rate of \$144.32 in July 2013. Gross retail sales in the County totaled \$9.43 billion in Fiscal Year 2014.

The following table sets forth the Myrtle Beach-Conway-North Myrtle Beach Metropolitan Statistical Area (the "MSA") occupancy and ADR statistics for the years shown:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Percentage of Units Occupied	48.0%	50.3%	49.3%	49.9%	51.9%
Average Daily Rate	\$91.16	\$95.50	\$99.26	\$103.30	\$108.63

Source: South Carolina Parks, Recreation and Tourism.

Recreational and Cultural Opportunities

In addition to over nine miles of recreational beachfront area, the City has 25 neighborhood parks and three recreation centers offering organized recreational activities as well as memberships for individual use of its facilities. Myrtle Beach State Park, a 312-acre oceanfront park, was the first state park open to the public in South Carolina. Owned and operated by the City, Chapin Memorial Library is a 25,000 square foot facility which owns nearly 115,000 volumes including 92,924 in physical print format and the remainder in various audio and video media forms and downloadable titles. Chapin Library is the only municipal public library in South Carolina.

Commercial theatres abound and include the Palace Theatre, which frequently brings Broadway touring shows to town and will feature Hot Jersey Nights, celebrating the music of Franki Valli and the Four Seasons, from February through May, 2014. The Dixie Stampede, which seats 1,000 people and features a music-rodeo and four-course meal, closed in 2010 and reopened in 2011 as Pirates' Voyage. Carolina Opry and the Alabama Theater, which feature country music entertainment, have enjoyed many successful seasons in locations in or adjacent to the City. Broadway-at-the Beach, a 300-plus acre theater, restaurant, and retail complex, opened in the City's Center-City Redevelopment Area in 1995.

The Myrtle Beach area also offers a wide variety of cultural entertainment sponsored by the presenting arts and cultural organizations. In addition to the Coastal Concert Association and Long Bay Symphony, there is a visual arts center nearby at Springmaid Villa. Several local production companies, including the Theater of the Republic, present a series of dramatic productions each year, and Coastal Concert Association sponsors local performances of such noted groups as the North Carolina Dance Theater, the Atlanta Symphony, and the Furman Singers. Horry County Schools provide quality educational programs in the performing arts and, in cooperation with Coastal Carolina University, sponsor summer camps for regional students in vocal, band and orchestral music, each concluding with performances that are open to the public. Many of the participants in these programs and the all-County music programs go on to perform with groups such as all-region and all-state programs and the Long Bay Junior Symphony. The First Presbyterian Church Concert Series hosts a number of concerts and promenades each year with the 2009 concert series featuring virtuoso pianist Joyce Yang and world-renowned violinist Joshua Bell.

The Series completed its twenty-fifth season in 2014. The area is also the site of a number of festivals featuring local folk entertainment and specialized cuisine.

Agriculture

The County ranked 13th among 46 South Carolina counties in cash receipts from the marketing of crops, livestock and livestock products in 2012. Estimated cash receipts for crop and livestock production in 2010, the latest year for which information is available, amounted to \$101,293,000 according to figures from the United States Department of Agriculture, National Agricultural Statistics Service, South Carolina Field Office.

Other Industry

Other industry in the County consists of the production and manufacturing of amorphous metal, printed textiles, soft drinks, signs, frozen lemonade, small plastic parts and injection molding tool design, furniture, charcoal briquettes, rotary cutters, farm implement trailers and fresh fish and shrimp.

Population Growth

The population of the County, which was 196,629 in 2000 according to the U.S. Bureau of the Census, increased to 282,285 in 2012, reflecting a 43.6% increase in population over the twelve-year period. The following table shows population information for the City and the County for 1970, 1980, 1990, 2000, 2010 and 2013.

<u>Year</u>	<u>City</u>	<u>Horry County</u>
2013 ⁽¹⁾	29,175	289,650
2010	27,109	269,291
2000 ⁽²⁾	22,759	196,629
1990	24,848	144,053
1980	19,702	101,419
1970	9,035	69,992

Source: U.S. Census Bureau, Population Division.

⁽¹⁾U.S. Census Bureau, Population Estimates Program.

⁽²⁾According to the City's Planning Department, the drop in population inside the corporate limits resulted from the closure of the Myrtle Beach Air Force Base in 1992-93. It is estimated that over 4,000 residents were housed at the former military installation in 1990. Following the closure, the barracks were demolished, but approximately 800 multi-family housing units have been renovated and reoccupied. Commercial development and redevelopment have outpaced residential development inside the City since 1990.

The County has been recognized by the Census Bureau as the Myrtle Beach-Conway-North Myrtle Beach Metropolitan Statistical Area (the "MSA"), meaning an area having at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by community ties, and as such is eligible for a number of federal programs that provide funds primarily to metropolitan statistical areas.

Public School Enrollment in the County

The City is part of the Horry County School District (the "School District") which is the third largest of 85 school districts in the State. The School District's 55 schools consist of 27 primary/elementary schools, 11 middle schools, ten high schools, three career centers/academies, one alternative school, an early college high school, and four charter schools. Three of the School District's nine attendance areas are located along the Grand Strand in North Myrtle Beach, Myrtle Beach and Socastee. Fourteen private schools are located within the County. Of the School District's 2,571 classroom teachers, 73% have earned advanced degrees.

Public school enrollment in the County for the years shown below is as follows:

<u>Year</u>	<u>Grades Pre-K-2</u>	<u>Grades 3-5</u>	<u>Grades 6-8</u>	<u>Grades 9-12</u>	<u>Total</u>
2013-2014	9,688	9,133	9,421	11,290	39,517
2012-2013	9,429	8,921	9,201	10,948	38,502
2011-2012	9,938	8,848	8,335	10,806	37,927
2010-2011	9,970	8,871	8,354	11,011	38,206
2009-2010	9,840	8,684	8,142	10,755	37,421

Source: South Carolina Department of Education.

Per Capita Income

The County ranked 23rd among the 46 counties in the State in per capita personal income for 2010 (which was 88 percent of the State average and 72 percent of the national average). The per capita income in the County, the State and the United States for each of the last five years for which information is available is shown below:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2012	\$30,460	\$32,462	\$42,784
2011	29,148	32,505	41,560
2010	28,531	31,890	39,791
2009	28,086	32,338	38,637
2008	29,994	32,947	40,947

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

Median Age and Education Levels

According to the 2010 Census, the median age of the population of the County was 41.1 years in 2010. According to the S.C. Statistical Abstract and the School District, in 2011 the proportion of the County population of 25 years and older that held a high school diploma was up from 74.3% to 87.4%, and the proportion with four or more years of college was up from 16.0% to 21.9%.

Construction

The following table sets forth the number of new residential, commercial and industrial building permits issued in the City, and the aggregate values thereof, for the Fiscal Years shown:

	<u>Fiscal Year</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
No. Permits:					
Residential	886	1,047	1,188	1,480	1,715
Commercial	<u>475</u>	<u>467</u>	<u>553</u>	<u>435</u>	<u>411</u>
Total	<u>1,361</u>	<u>1,514</u>	<u>1,741</u>	<u>1,915</u>	<u>2,126</u>
Permit Values:					
Residential	\$28,223,212	\$51,555,685	\$69,761,024	\$100,641,867	\$138,258,537
Commercial	<u>67,513,302</u>	<u>46,048,936</u>	<u>27,993,037</u>	<u>21,276,533</u>	<u>98,752,165</u>
Total	<u>\$95,736,514</u>	<u>\$97,604,621</u>	<u>\$97,754,061</u>	<u>\$103,091,058</u>	<u>\$237,010,702</u>

Source: City records.

Retail Sales

The State imposes a six percent sales tax on certain retail sales. The following table shows the level of retail sales for businesses located in the City and the County for the five Fiscal Years shown:

<u>Year</u>	<u>Myrtle Beach Sales</u>	<u>Horry County Sales⁽¹⁾</u>
2014	\$2,225,764,205	\$9,431,674,082
2013	2,038,210,411	9,011,131,130
2012	1,973,068,353	8,751,960,729
2011	1,969,934,291	8,291,304,481
2010	1,803,196,918	7,858,031,821

Source: South Carolina Department of Revenue, Administrative Division.

⁽¹⁾Includes retail sales not subject to sales tax.

Capital Investment

The following table sets forth the total capital investment for new and expanded industry within the County for the five calendar years shown.

<u>Year</u>	<u>Total Investment</u>	<u>Total Jobs Created</u>
2013	\$39,505,000	1,153
2012	14,000,000	166
2011	12,850,000	328
2010	0	0
2009	18,500,000	115

Source: South Carolina Department of Commerce, Research and Communications.

Note: The above table reflects only new and expanded industry reported to the South Carolina Department of Commerce.

Major Employers

The following table shows the ten largest employers located within the County, the type of business and their approximate number of employees in the year 2013:

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Horry County School District	Education	5,473
Wal-Mart	Retail Sales	2,262
Horry County, South Carolina	County Government	2,000
Coastal Carolina University	Education	1,477
Conway Medical Center	Hospital	1,398
Grand Strand Regional Medical Center	Hospital	1,300
Blue Cross/Blue Shield	Health Insurer	1,200
Food Lion	Retail Sales	972
McLeod Health (Loris & Seacoast)	Hospital	928
City of Myrtle Beach	Municipal Government	850

Source: Myrtle Beach Area Chamber of Commerce Statistical Abstract (23rd Edition), February 2014

The following table shows the five largest manufacturing employers located within the County, the type of business and their approximate number of employees in the year 2013:

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Palmetto Corp.	Asphalt paving	358
Conbraco Industries, Inc.	Investment cast steel castings, Teflon seals	320
Builders FirstSource, Inc.	Building products	290
Met Glas, Inc.	Amorphous metal ribbon	180
Precision Southeast, Inc.	Plastic products	160

Source: Myrtle Beach Area Chamber of Commerce Statistical Abstract (23rd Edition), February 2014.

Labor Force

The labor force participation rates of residents of the County (regardless of place of employment) for the five calendar years shown are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Civilian Labor Force ⁽¹⁾	131,233	131,995	129,407	129,445	129,913
Employment	115,244	116,231	114,225	116,202	118,856
Unemployment	15,989	15,764	15,182	13,243	11,057
Percent of Labor Force	12.2%	11.9%	11.7%	10.2%	8.5%

Source: South Carolina Employment Security Commission, Labor Market Information Division.

⁽¹⁾ Workers involved in labor disputes are included among the employed. Total employment also includes agricultural workers, proprietors, self-employed persons, workers in private households and unpaid family workers.

Unemployment

The unemployment rates for the County for the 12-month period ending October 2014 are shown below:

<u>Month/Year</u>	<u>Unemployment Rate</u>
October 2014	6.8%
September 2014	6.6
August 2014	6.6
July 2014	5.7
June 2014	5.5
May 2014	5.5
April 2014	5.5
March 2014	6.5
February 2014	7.2
January 2014	9.4
December 2013	7.9
November 2013	7.8

Source: South Carolina Employment Security Commission, Labor Market Information Division.

The average unemployment rate in the County, the State and the United States for each of the five calendar years shown is as follows:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2013	8.5%	7.6%	7.4%
2012	10.2	9.1	8.1
2011	11.0	10.4	8.9
2010	11.9	11.2	9.6
2009	11.8	11.3	9.3

Source: U.S. Department of Labor, Bureau of Labor and Statistics.

Other Facilities Located Within or Serving the City

Ground Transportation

U.S. Highways 17 and 501 serve the City as do several State roads and highways. Waccamaw Coastline and the Mid-Atlantic Railroads provide rail service. Greyhound Bus provides intercity bus service.

Coast RTA, the regional mass public transportation authority for Horry and Georgetown counties, provides fixed bus route service (including complementary ADA transportation), door-to-door paratransit service (including transportation for Medicaid clients), and door-to-door transportation for senior citizens. Coast RTA also operates a fully coordinated human service transportation system under the Title XIX Medicaid Program, which includes demand response and subscription services. Additionally, under Coast RTA's approved ADA Complementary Paratransit Plan, a complementary paratransit service is also provided for individuals who cannot access the regular fixed route service. Coast RTA operates DAS (Dash About for Seniors) service, a demand response, door-to-door service designed to provide transportation to destinations within our service delivery area for senior citizens in Horry and Georgetown Counties. The agency also provides Horry County with wheelchair accessible buses for emergency evacuation in the event of a natural disaster or emergency, such as a hurricane. Coast RTA's regularly scheduled bus system, consisting of more than 35 vehicles, offers service seven days a week, three hundred sixty-five days a year. The Coast RTA buses travel on 15 routes servicing the Coastal Carolina region, including Myrtle Beach, North Myrtle Beach, Surfside Beach, Conway, Loris, and Aynor.

Freight services are also available through eight domestic and international companies.

An extension of Harrelson Boulevard opened in January 2012. The extension connects the Myrtle Beach International Airport directly with U.S. Highway 17 Business, the main north-south artery through town. Via Highway 17 Business, it also connects Ocean Boulevard and the hotel district, providing immediate access from the airport to these commercial areas.

The City has more than 35 miles of paved bicycle paths and bike lanes running alongside major traffic arteries. In the Air Base Redevelopment District (including the Market Common) and along Ocean Boulevard, multi-purpose paths and bicycle lanes provide for alternative modes of transportation. The East Coast Greenway runs through Myrtle Beach, mainly along Grissom Parkway, Harrelson Boulevard and Highway 17 South. The Grissom Parkway segment is complete. The Harrelson Boulevard segment opened in January 2012. A new segment connecting Harrelson Boulevard with the Myrtle Beach State Park and the Air Base Redevelopment District opened in the summer of 2012.

Air Transportation

The Myrtle Beach International Airport (the "Airport"), located one mile from the Atlantic Ocean, serves as the scheduled commercial service airport for the County and the Grand Strand region. The Airport is owned and operated by the County. The Airport is equipped to handle aircraft of all sizes, including wide-body type aircraft.

Enplanements and deplanements were consistent with the general increases in tourism in the area for 2013 over 2012. As of November 2013, the Airport reported 791,263 enplanements and 794,379 deplanements, each representing increases of 12.5% when compared to the prior year. The Airport is served by Allegiant, Delta, Direct

Air, Myrtle Beach Aviation, Spirit, Porter, US Airways and United Express, offering daily, nonstop flights to and from 25 destinations and connections through hubs in Atlanta, Charlotte, Chicago, New York and Newark, among others.

The Airport, as directed by Horry County Council, undertook a \$114 million capital improvements program to include both airside and landside improvements to the current facility. The passenger terminal and concourse has been expanded by 240,000 square feet, with an increase from seven to thirteen departure gates and three additional ground loading positions. To support the expansion, a new automated baggage handling system and new passenger boarding bridges were added. The airport's apron pavement and taxiway were reconstructed and expanded. A new rental car facility with a pedestrian canopy was added to maximize the efficiency of the facility, while the existing parking lot, roadway circulation and access roads were renovated and expanded. In all, the total footprint of the airport terminal has increased from 155,000 square feet to 430,000 square feet.

In addition to the commercial airline facilities, complete services are available at the Airport for all size general aviation, corporate and charter aircraft, including helicopters. DHL maintains an office at the Airport and several other air cargo companies also have flight operations from the Airport. The Airport's General Aviation Terminal ("GAT") annually accommodates over 45,000 passengers arriving in private aircraft. The Airport recently completed and opened for business a new \$4 million GAT facility with 11,000 square feet of space on a single level. The new facility incorporates many state-of-the-art systems to ensure a sustainable "green" design. The old facility is slated for demolition.

The County also owns and operates general aviation airports in North Myrtle Beach, Conway and Loris. Both the Grand Strand Airport located in North Myrtle Beach and the Conway-Horry County Airport located in Conway serve private and corporate aircraft with parking, refueling and maintenance. Currently, there are no services available on the Loris Airport.

Medical and Health Services

Grand Strand Regional Medical Center, in Myrtle Beach, is a 269-bed full service acute care hospital offering comprehensive cardiac, emergency and diagnostic services, with 270 physicians, approximately 1,400 staff members and 170 hospital volunteers. It has been designated a Level II trauma center by the South Carolina Department of Health and Environmental Control (DHEC) and the American College of Surgeons. The hospital's heart surgery program has been ranked #1 in South Carolina by Healthgrades for the fourth consecutive year and ranks in the top 5% in the nation. The Emergency Department is staffed by ten board-certified emergency medicine specialists and includes 28 treatment areas. The Center offers a comprehensive cardiac program including cardiac catheterization, cardiac surgery and angioplasty, and cardiac rehabilitation. The Center provides a broad spectrum of clinical services. Diagnostic services include a fixed MRI, nuclear medicine, cardiology, gastroenterology, EKG, EEG, respiratory care, cardiac catheterization and laboratory services. Grand Strand Regional Medical Center has facilities at various locations throughout the area, including the Grand Strand Regional Diagnostic & Women's Center/The Breast Health Center, South Strand Medical Center, North Strand Diagnostic Center, Carolina Forest Imaging Center and HealthFinders, a community resource center located in Coastal Grand Mall.

Conway Medical Center, a private, non-profit institution which opened on its current campus in 1982, is a 210-bed, private, nonprofit institution equipped with a trauma center and a minor emergency treatment center, as well as other services providing maternity and pediatric care, and mammography, cardiac rehabilitation, chemotherapy, ultrasound and respiratory therapy. Conway Hospital is located approximately ten miles west of the City. Also on the medical center's campus are Kingston Nursing Center, a 66-bed nursing center; Medstar, a 22-bed sub-acute care center; and a 39,000 square foot Wellness & Fitness Center, including a modern cardiac rehabilitation area and outpatient physical therapy which boasts the area's only aquatic therapy pool. The hospital is certified as a Level III trauma center and Level II perinatal center. The facility's medical staff comprises approximately 200 physicians, representing 30 specialties. A medical office complex is also conveniently located nearby.

Financial Institutions

According to the Federal Deposit Insurance Corporation, as of June 30, 2014, there were 143 branches of major and local commercial banks in the County, with total deposits of \$5,061,956,000.

Utilities

The City's supplier of electricity for industrial, residential and commercial consumption is the South Carolina Public Service Authority. Natural gas is provided by Carolina Pipeline, Inc., a subsidiary of Carolina Energies, Inc. GSWSA provides water service to unincorporated areas of the County and provides treated water to several municipalities, which in turn act as the retailers inside their service areas. GSWSA provides wastewater service to over ninety percent of the County, including the City as a wholesale customer. GSWSA presently operates seven wastewater treatment plants that are designed to serve the ten-year capacity needs of its service areas, including several municipal wholesale customers. The City and the City of North Myrtle Beach also provide wastewater services within their service boundaries.

The South Carolina Public Service Authority has electric generating facilities located within the City and makes payments to the City in lieu of taxes. For Fiscal Year 2014, the City's portion of these payments amounted to \$2,459,304.

Institutions of Higher Learning

Coastal Carolina University ("Coastal Carolina"), located ten miles west of the City, offers associate and baccalaureate degrees in 66 major fields of study, as well as seven master's degree programs. In the Fall of 2014, it began offering its first Ph.D. program, in Coastal and Marine Systems Science. More than 8,800 undergraduate and 600 graduate students from 45 states and 55 foreign countries are enrolled at Coastal Carolina. Various applied research centers offer special services in the areas of marine and wetland studies, economic development, education, cultural and historical studies and tourism research. Coastal Carolina is fully accredited by the Southern Association of Colleges and Schools and by a number of agencies representing various fields of study that the University offers.

Horry-Georgetown Technical College (the "College") is a comprehensive two-year commuter college with three campus locations that serve more than 7,750 students. The College offers 80 degrees, diplomas and certificates in the areas of Arts and Science, as well as a varied technical and business curriculum whose credits are transferable to baccalaureate degree programs at many major colleges and universities. The continuing education curriculum at the College enrolls more than 8,000 people each year and maintains an intensive on-site industrial training program, which serves many local businesses and industries annually. The College is the fourth largest of the 16 technical colleges and technical education centers making up the South Carolina Technical Education System. It is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and by a number of agencies representing the various trades that comprise the College's curriculum.

At its Myrtle Beach extension campus, Webster University of St. Louis, Missouri (the "University"), offers programs of study leading to the Master of Arts (MA) degree with areas of emphasis in Counseling, Human Resource Development, Human Resources Management, and Management and Leadership; the Master of Health Administration (MHA); and the Master of Business Administration (MBA) degree program. Currently, Webster University carries system wide enrollment in excess of 19,200 students, of which more than 15,500 are graduate students. Approximately 5,300 are enrolled at the St. Louis home campus, with the remainder in an extension network, which covers 22 states, the District of Columbia and seven foreign countries. Enrollment at the Myrtle Beach campus averages about 550. The University's metropolitan campuses in Myrtle Beach, Charleston and Greenville are licensed by the South Carolina Higher Education Commission. The University is accredited at the undergraduate and graduate levels by the Higher Learning Commission, a Commission of the North Central Association of Colleges and Schools and its school of Business and Technology is accredited by the Accreditation Council for Business Schools and Programs (ACBSP). Extension campuses are licensed by agencies in their respective states including, in South Carolina, the Commission on Higher Education.

FINANCIAL INFORMATION

Four-Year Summary of General Fund Operations

The following table sets forth a summary of the City's General Fund operations for the Fiscal Years ended June 30, 2011 through 2014 which has been derived from the City's audited financial statements.

CITY OF MYRTLE BEACH, SOUTH CAROLINA
Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund

	Fiscal Year <u>2011</u>	Fiscal Year <u>2012</u>	Fiscal Year <u>2013</u>	Fiscal Year <u>2014</u>
REVENUES				
Ad Valorem Taxes	\$17,482,056	\$17,087,137	\$18,578,685	\$18,438,826
Licenses and Permits	21,014,534	22,135,007	22,952,056	24,228,244
Intergovernmental Revenue	2,547,357	2,423,618	2,561,079	2,638,747
Fines and Forfeitures	1,185,600	947,103	1,011,354	1,073,051
Charges for Current Services	2,480,006	2,556,219	2,677,081	2,836,541
Use of Money & Property	<u>3,076,946</u>	<u>3,711,988</u>	<u>3,020,736</u>	<u>3,126,782</u>
Total Revenues	<u>\$47,786,499</u>	<u>\$48,861,072</u>	<u>\$50,800,991</u>	<u>\$52,342,191</u>
EXPENDITURES				
Operation & Maintenance:				
General Government	\$10,503,356	\$9,552,390	\$9,232,183	\$9,528,925
Public Works	1,382,108	1,428,340	1,403,396	1,394,960
Public Safety	29,055,534	31,204,197	32,188,149	32,746,712
Transportation	3,112,385	3,208,773	3,441,234	3,602,873
Cultural & Recreation	10,358,263	10,818,679	11,459,680	12,433,013
Community Development	2,080,826	2,495,270	2,433,237	2,356,515
Capital Outlay	<u>46,346</u>	<u>246,595</u>	<u>358,419</u>	<u>45,306</u>
Total expenditures	<u>\$56,538,818</u>	<u>\$58,954,694</u>	<u>\$60,516,298</u>	<u>\$62,102,304</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(8,752,319)</u>	<u>(10,093,622)</u>	<u>(9,715,307)</u>	<u>(9,766,113)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	\$9,409,420	10,308,329	11,382,934	10,949,622
Proceeds from Sale of Fixed Assets	13,226	--	11,020	--
Operating transfers out	<u>-</u>	<u>(106,055)</u>	<u>(198,371)</u>	<u>(102,703)</u>
Total other sources (uses)	<u>\$ 9,422,646</u>	<u>\$10,202,274</u>	<u>\$11,195,583</u>	<u>\$10,846,919</u>
Net Change in Fund Balances	\$ 670,327	\$108,652	1,480,276	\$ 1,080,806
Fund Balance, beginning	<u>7,965,483</u>	<u>\$ 8,635,810</u>	<u>8,744,462</u>	<u>10,224,738</u>
Fund Balance, end	<u>\$8,635,810</u>	<u>\$8,744,462</u>	<u>\$10,224,738</u>	<u>\$11,305,544</u>

Source: Audited financial statements of the City for Fiscal Years ended June 30, 2011 through 2014.

Financial Statements

A copy of the audited financial statements of the City for Fiscal Year 2014 is attached to this Official Statement as Appendix A. Copies of complete audited financial statements for prior years are available for inspection at the City offices.

Budget Procedure and Accounting Policies

The State Constitution requires the City to adopt a balanced budget for each Fiscal Year, which budget must provide for sufficient income to meet its estimated expenses for each year. Whenever ordinary expenses of a city for any year shall exceed its income, the governing body of the city is required to provide for levying a tax in the ensuing year sufficient, with all other sources of income, to pay the deficiency in the preceding year, together with the estimated expenses for the ensuing year. Statutory law of the State further specifies that the City operate on a Fiscal Year that begins on July 1 and requires the City to adopt prior to the beginning of each Fiscal Year

operating and capital budgets identifying the sources of anticipated revenues, including taxes, necessary to meet the financial requirements of the budgets so adopted.

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the Fiscal Year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to June 30, the budget is legally enacted through passage of an ordinance (which requires two readings not less than six calendar days apart).

4. The Budget Director, as designee of the City Manager, is authorized to transfer budgeted amounts between departments; however, revisions that alter the total expenditures of any fund must be approved by the City Council. Thus, the legal level of control is at the fund level.

5. The City employs formal budgetary integration as a management control device during the year and generally adopts an annual appropriated budget for all funds other than fiduciary fund types. The budgets are adopted annually on a basis consistent with generally accepted accounting principles.

6. All annual appropriations lapse at year-end, except appropriations for capital projects, which are authorized for the entire construction period for each project, and certain grant appropriations, which are authorized for the term of the grant.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds. At June 30 of each year, all open purchase orders lapse. On July 1, all open purchase orders are then reinstated against the new Fiscal Year appropriation.

General Fund Budget

The following is a summary of the City's General Fund budget for Fiscal Year 2015.

	<u>2015 Budget</u>
Revenues	
<i>Ad valorem</i> Taxes	\$20,688,000
Business Licenses Fees	19,817,400
Other Licenses and Fees	4,554,300
Intergovernmental Revenues	1,977,400
Fines and Forfeitures	1,051,575
Charges for Current Services	3,036,981
Use of Money and Property	<u>3,378,375</u>
Total Revenues	\$54,504,031
Expenditures	
Operations and Maintenance:	
General Government	\$ 9,821,897
Public Works Administration	1,464,235
Public Safety	34,176,001
Transportation	3,963,675
Cultural & Leisure Services	13,278,702
Community Development	2,394,339
Capital Outlay	<u>186,534</u>
Total Expenditures	\$65,285,383
Excess (deficiency) of revenues over (under) expenditures	<u>\$(10,781,352)</u>
Other financing sources and (uses):	
Interfund Transfers In	10,707,269
Interfund Transfers Out	(112,451)
Appropriation from Restricted Fund Balance	-0-
Proceeds from Sale of Fixed Assets	<u>-0-</u>
Total other sources (uses)	\$10,594,818
Net Change in Fund Balances	(186,534)
Fund balance, Beginning of Fiscal Year	<u>\$10,152,567</u>
Estimated fund balance, End of Fiscal Year	\$ 9,966,033

Prepared by: Office of Budget and Evaluation.

Management Discussion

For the five Fiscal Years ended June 30, 2013, the City saw two very different trends emerge in (a) earmarked hospitality-related revenues versus and (b) general revenues used to support traditional municipal operations.

Hospitality-related revenues declined immediately and for several consecutive quarters in Fiscal Years 2009 and 2010 but, by the final months of Fiscal Year 2010, were showing signs of recovery. By the end of Fiscal Year 2011, running 12-month total revenues had surpassed their previous peak, recorded in November 2008. Since that time, hospitality-related revenues have continued to grow. In the Fiscal Year ended June 30, 2014, the growth in hospitality-related revenues continued in the 4.5-5.0% range. In contrast, property tax revenues were mostly flat. Business License revenues showed an increase of 3.8%, building upon a trend that has now reached four years of growth in a range exceeding 3.0% per annum and, at \$19.05 million, nearly equaling the pre-recession high of \$19.1 million.

In response to the recession, the City Council, working with both private and public partners, caused the implementation of a marketing plan focused upon both traditional and expanded markets to attempt to drive increased business to the City and its environs. The Tourism Development Fee, which became effective in August 2009, provided over \$15 million for this major out-of-market advertising campaign in its first year and now provides nearly \$19.0 million annually for that purpose. It also provides some funding for capital projects and for tax relief.

In its annual budgets for 2014 and 2015, the City addressed areas of structural imbalance because of the revenue trends that had occurred in prior years. It adopted measures, including revenue increases and expenditure reductions, designed to restore long-term structural balance. The measures that the City took in several specific funds have improved those funds' prospects for being self-supporting and have allowed the City to take back into the General Fund some of the general revenues that had been supporting deficits in those other funds.

These measures, combined with the moderate revenue growth described above, have allowed the City to restore its General Fund's unassigned fund balance to \$10.3 million, or 16.6% of operating expenditures. Furthermore, in its Fiscal Year 2015 budget, the City adopted a tax rate increase of 5.1 mills, or 8.3%, to balance the budget, and subsequently amended the rate to add two more mills for the specific purpose of supporting law enforcement activity for events held in the month of May. The City Council also adopted a more aggressive rate structure for business licenses for out-of-city businesses, 133% of the in-City rate, and a 2.5% increase in rates.

City Revenues

Revenues from Ad Valorem Taxes

The largest source of City operating revenues comes from *ad valorem* taxes paid by taxpayers within the City. A discussion of general tax information, tax rates and millage levied upon taxpayers of the City for City purposes is set forth in various sections below. All the revenues from *ad valorem* taxes and fees in lieu of taxes are either General Fund revenues and may therefore be used by the City on an unrestricted basis or are collected for the purposes of paying debt service on general obligation bonds of the City. For the five Fiscal Years shown below, the City has received the following amounts as revenues from *ad valorem* taxes:

<u>Fiscal Year</u>	<u>Taxes Collected¹</u>	<u>Total Taxes and TDF Transfers¹</u>
2014	\$25,842,751	\$28,917,771
2013	25,112,930	28,037,455
2012	24,819,307	27,539,535
2011	25,551,735	28,342,390
2010	27,416,733	27,416,733

¹In 2010-11, the City adopted a tax credit for owner-occupied residences. The credit is in the amount of the taxes levied for operating purposes—approximately 87.6% of the total levy. The foregone property tax revenue is replaced in the affected funds by a transfer from the Tourism Development Fee (the “TDF”). This table shows the value of the net tax collections (Taxes Collected) as well as the total revenues resulting from the tax levy (Total Taxes and TDF Transfers).

Revenues from Business License Fee

Every individual, firm, partnership, corporation or any other group or combination acting as a unit engaged or intending to engage in any calling, business, occupation or profession in the City is required to pay an annual license fee. The fee is comprised of a base fee ranging from \$100 to \$250 for the first \$2,000 of gross income received or accrued for the previous calendar year and a rate ranging from \$2.50 to \$10.00 for every \$1,000 thereafter (which rate declines after the first \$1,000,000 of gross income). The gross income is verified by inspection of returns filed with the Internal Revenue Service, the Department of Revenue or the South Carolina Insurance Commission. For the five Fiscal Years shown, the City has received the following amounts as revenues from business license fees allocable to all funds, including, without limitation, the General Fund:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$19,176,759
2013	18,354,589
2012	17,795,885
2011	17,516,219
2010	17,149,465

Revenues for Current Services

These revenues are comprised primarily of revenues from parks and recreation fees and charges for suburban fire services. For the five Fiscal Years shown, the City has received the following amounts from current services allocable to all funds, including, without limitation, the General Fund:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$5,221,830
2013	4,962,611
2012	5,090,014
2011	4,738,294
2010	4,448,104

Intergovernmental Revenues

Intergovernmental revenues are comprised of revenues shared by the State or collected by the State for administrative convenience. They include the state-shared accommodations tax, which now exceeds \$6,000,000 per year and also include discretionary grants that may cause unusual variations from that base amount. For the five Fiscal Years shown, the City has received the following amounts from intergovernmental sources allocable to all funds, including, without limitation, the General Fund:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$14,631,455
2013	13,307,142
2012	12,193,868
2011	12,062,703
2010	14,148,733

Limited Purpose Revenues

The City has four major limited-purpose revenues: the local hospitality fee, a State-shared accommodations tax, the local accommodations fee and the local option Tourism Development Fee. All are accounted for in their own special revenue funds and are transferred into the General Fund or other special revenue funds when used in support of programs accounted for therein.

Revenues from Local Hospitality Fees

The following table sets forth the amount of Hospitality Fees collected by the City during the Fiscal Years 2010 through 2014, based upon unaudited information, by general source. The amounts shown in the table are presented on a cash basis and may differ from the audited figures, which are presented on an accrual basis.

<u>Fiscal Year</u>	<u>Food and Beverage Sales</u>	<u>Accommodations Revenues</u>	<u>Admissions</u>	<u>Total Hospitality Fees</u>
2014 ⁽¹⁾	\$4,505,192	\$4,664,799	\$895,754	\$10,065,785
2013	4,341,478	4,453,961	821,319	9,616,758
2012	4,260,488	4,353,525	925,857	9,539,870
2011	4,059,977	4,105,647	805,099	8,970,723
2010	3,775,692	3,557,191	768,096	8,100,959

⁽¹⁾No single collector of Hospitality Fees represented more than 2.5% of Hospitality Fees collected in Fiscal Year 2014.

State-Shared Accommodations Tax

A two percent State-shared accommodations tax is imposed for a State-wide basis on the gross proceeds derived from the rental or charges for any rooms, campground spaces, lodgings or sleeping accommodations furnished to transients by any hotel, inn, tourist court, tourist camp, motel, campground, residence or any place in which rooms, lodgings or sleeping accommodations are furnished to transients for consideration. This tax does not apply where the facilities consist of less than six sleeping rooms, contained in a single building or where the period of stay is greater than 90 continuous days. Growth in the years indicated below has been heavier during the “shoulder seasons” of April through June and October through December. The tax is paid to the City and the County by the State 30 days after the end of each quarter (ending March 31, June 30, September 30 and December 31).

Historical accommodations tax receipts for the City and the County are shown in the table below:

<u>Year¹</u>	<u>City Collections</u>	<u>City Growth Rate</u>	<u>County Collections</u>	<u>County Growth Rate</u>
2014	\$8,347,172	(6.1%)	\$4,130,263	7.00%
2013	8,888,878	16.72	3,858,389	11.36
2012	7,615,510	13.19	3,464,735	9.75
2011	6,728,035	5.00	3,156,813	5.66
2010	6,407,148	(3.27)	2,738,735	(7.24)

¹The City's Office of Budget and Evaluation estimates that the true growth rate of recurring accommodations tax revenue for 2012 was about 4.1% and for 2013, about 6.6%. More than \$600,000 of the 2012 collections and about \$1.3 million of the 2013 collections resulted from settlements of lawsuits and the consequent collections of liabilities that had accrued over a period of ten to twelve years. Those portions of 2012 and 2013 collections will not become part of the recurring base of this tax. Recurring collections are estimated in the neighborhood of \$7.1 million for 2012 and \$7.5 million for 2013.

Sources: City Office of Budget and Evaluation and Horry County Finance Department

Local Accommodations Fee

A .5 percent local accommodations fee is imposed within the city limits of Myrtle Beach on the gross proceeds derived from the rental or charges for any rooms, campground spaces, lodgings or sleeping accommodations furnished to transients by any hotel, inn, tourist court, tourist camp, motel, campground, residence or any place in which rooms, lodgings or sleeping accommodations are furnished to transients for consideration. This fee does not apply where the facilities consist of less than six sleeping rooms, contained in a single building or where the period of stay is greater than 90 continuous days. The fee is paid directly to the City by the fee payer 20 days after the end of each month.

The following table sets forth the amounts of local accommodations fee revenue collected during the Fiscal Years 2010 through 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$2,322,855
2013	2,239,700
2012	2,216,260
2011	2,047,926
2010	1,831,529

Local Option Tourism Development Fee

Effective August 1, 2009, a one percent local option Tourism Development Fee was imposed for a ten-year term on all taxable sales inside the City limits. This fee is to be used for tourism promotion in markets outside of South Carolina. Beginning in Fiscal Year 2011, 20 percent of the fees collected were required to be used for either property tax relief or on tourist-related capital projects.

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$23,298,736
2013	23,508,833
2012	23,500,800
2011	20,440,454
2010	14,195,982

General Obligation Debt Limit

Under the provisions of Article X, Section 14 of the State Constitution, an incorporated municipality may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law, incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding eight percent of the assessed value of all taxable property therein.

As of June 30, 2014, the amount of new general obligation debt that could be issued by the City without a referendum was \$7,318,102, according to estimates provided by the City's Office of Budget and Evaluation. The City's debt limitation as of June 30, 2014 is calculated as set forth in the following table:

<u>Assessed Value</u>	
Total Assessed Value (which includes all taxable property and 1987 assessed value of merchants' inventory)	\$385,413,779
Constitutional Debt Limit (8% of Assessed Value)	30,833,102
Less Debt Applicable to Debt Limit	<u>(23,515,000)</u>
Legal Debt Margin	<u>\$ 7,318,102</u>

Source: County Assessor, City Office of Budget and Evaluation.

Outstanding General Fund Indebtedness

As of June 30, 2014, the City had a total of \$52,380,000 in general obligation bonded debt outstanding. The following table gives specific information concerning the general obligation bonds and the 2010 COPS of the City outstanding as of June 30, 2014:

<u>Outstanding Debt Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance as of June 30, 2014</u>
GO Bonds Series 2006A ¹	March 2031	4.125% - 5.00%	\$5,750,000
GO Bonds Series 2006B ¹	March 2031	4.00 - 5.00	2,260,000
GO Bonds Series 2006C	March 2026	4.00 - 6.00	1,755,000
GO Bonds, Series 2008	March 2033	4.50 - 5.00	8,875,000
GO Bonds, Series 2009A	March 2017	3.41	265,000
GO Bonds, Series 2011A	March 2017	2.00 - 3.00	1,030,000
GO Bonds, Series 2011B ⁽¹⁾	March 2028	3.00 - 5.00	14,640,000
GO Bonds, Series 2012A	March 2032	2.00 - 2.75	4,030,000
GO Bonds, Series 2012B (Taxable)	March 2032	3.00 - 3.50	7,560,000
2010 COPS ⁽²⁾	July 2017	2.50 - 4.00	6,215,000

⁽¹⁾Not subject to constitutional debt limit. Authority to issue was provided by referenda of November 6, 2001.

⁽²⁾Not subject to constitutional debt limit under statutes effective at the time of original issue.

General Obligation and Certificate of Participation Debt on Per Capita Basis

The following table sets forth the amount of general obligation and 2010 COPS indebtedness of the City as of June 30, 2010 through 2014:

<u>Fiscal Year</u>	<u>GO and 2010 COPS⁽¹⁾ Indebtedness</u>	<u>Debt Per Capita[*]</u>	<u>Debt per \$100 of Assessed Value</u>	<u>Debt per \$100 of True Value</u>
2014	\$52,380,000	\$1,924	\$13.59	\$0.76
2013	56,540,000	2,085	14.72	0.79
2012	48,970,000	1,806	13.22	0.69
2011	53,095,000	1,958	14.33	0.72
2010	56,700,000	2,091	12.66	0.63

^{*}The debt per capita calculation is based upon 2010 census information on population.

⁽¹⁾2010 COPS Indebtedness includes, for periods prior to the issuance of the 2010 COPS, debt service on the Series 1998 Certificates of Participation that were refunded with the proceeds of the 2010 COPS.

⁽²⁾The debt per capita calculation is based upon 2010 census information on population.

Composite General Fund Debt Service

The following table sets forth the debt service requirements for all outstanding general obligation bonds and 2010 COPs of the City. For purposes of the following table, totals may not add due to rounding.

Fiscal Year	EXISTING GO BONDS		2010 COPs	Total Debt
	Principal	Interest	Prin. & Int.	Service
2015	\$ 2,470,000	\$ 1,874,109	\$1,660,250	\$ 6,004,359
2016	2,095,000	1,787,567	1,661,525	5,544,092
2017	2,230,000	1,701,323	1,668,700	5,600,023
2018	2,020,000	1,609,035	1,657,500	5,286,535
2019	2,550,000	1,518,160		4,068,160
2020	2,580,000	1,408,848		3,988,848
2021	2,690,000	1,297,673		3,987,673
2022	2,800,000	1,181,060		3,981,060
2023	2,910,000	1,072,003		3,982,003
2024	3,040,000	958,906		3,998,906
2025	3,150,000	840,050		3,990,050
2026	3,280,000	715,725		3,995,725
2027	3,220,000	586,050		3,806,050
2028	2,630,000	458,930		3,088,930
2029	2,000,000	354,168		2,354,168
2030	2,085,000	273,686		2,358,686
2031	2,175,000	187,731		2,362,731
2032	1,560,000	97,031		1,657,031
2033	<u>680,000</u>	<u>34,850</u>	<u> </u>	<u>714,850</u>
Total	\$46,165,000	\$17,956,905	\$6,647,975	\$70,769,880

Other City Debt

In addition to the general obligation bonds and Refunded Bonds described above, the City has outstanding the following classifications of debt payable from specific sources of revenues.

(i) *Waterworks and Sewer System Revenue Bonds, Series 2007.* As of June 30, 2014, the City had outstanding \$9,800,000 Waterworks and Sewer System Revenue Bonds secured by a pledge of the revenues of the System.

(ii) *Waterworks and Sewer System Revenue Bonds, Series 2011.* As of June 30, 2014, the City had outstanding \$8,555,000 Waterworks and Sewer System Revenue Bonds secured by a pledge of the revenues of the System.

(iii) *Tax Increment Revenue Bonds (Myrtle Beach Air Force Base Redevelopment Project Area), Series 2006A and Series 2006B.* At June 30, 2014, the City had outstanding \$28,285,000 Tax Increment Revenue Bonds (Myrtle Beach Air Force Base Redevelopment Project Area), Series 2006A (the “2006A TIF Bonds”) and \$10,050,000 Tax Increment Bonds (Myrtle Beach Air Force Base Redevelopment Project Area), Junior Lien Series 2006B (the “2006B TIF Bonds,” and together with the 2006A TIF Bonds, the “2006 TIF Bonds”). The 2006 TIF Bonds are secured by a pledge of the revenues attributable to an increase in assessed value of certain real property located on the former Myrtle Beach Air Force Base, and in the case of the 2006A TIF Bonds, certain assessments imposed on a portion of such property.

(iv) *Hospitality Fee COPS.* In 1998, the City and Horry County financed a minor league baseball stadium in the City, the construction of which was completed in April 1999, through the issuance of Myrtle Beach Public Facilities Corporation Certificates of Participation, Series 1998 (City of Myrtle Beach Stadium Project) (the “2008 Certificates”). The outstanding principal balance of these obligations as of June 30, 2014 was \$3,505,000. The City's obligation requires the City to pay 70 percent of the debt service on the 2008 Certificates and is secured

by a pledge of the Hospitality Fees senior to the pledge of such Hospitality Fees securing the Series 2014A and 2014B Limited Obligation Bonds.

(v) *2004 State Revolving Fund Loan.* In 2004 the City financed a series of stormwater system improvements in drainage basins receiving runoff from various areas bordering the Atlantic Ocean in order to redirect the flow of storm drainage away from the ocean. The outstanding principal balance of this obligation, which is secured by a pledge of stormwater fees, as of June 30, 2014, was \$7,493,370.

(vi) *Limited Obligation Bonds.* In 2009 the City issued \$10,065,000 Limited Obligation Bonds to finance certain improvements within the City's Redevelopment Project Area. The Limited Obligation Bonds are secured by a pledge of the revenues attributable to an increase in assessed value of certain real property located in the City's Oceanfront Redevelopment Project Area. The outstanding principal balance of this obligation as of June 30, 2014 was \$9,465,000.

(vii) *2009 State Revolving Fund Loan.* In 2009 the City financed stormwater system improvements in drainage basins located on 4th Avenue North. The outstanding principal balance of this obligation, which is secured by a pledge of stormwater fees, as of June 30, 2014 was \$2,251,867.

(viii) *Tax Increment Revenue Bonds (Myrtle Beach Air Force Base Redevelopment Project Area), Series 2010.* At June 30, 2014, the City had outstanding \$7,450,000 Tax Increment Revenue Bonds (Myrtle Beach Air Force Base Redevelopment Project Area), Series 2010 (the "2010 TIF Bonds"). The 2010 TIF Bonds are secured by a pledge of the revenues attributable to an increase in the assessed value of certain real property located on the former Myrtle Beach Air Force Base.

(ix) *Myrtle Beach Public Facilities Corporation Refunding Certificates of Participation (Myrtle Beach Convention Center), Series 2010.* At June 30, 2014, the City had outstanding \$6,215,000 Myrtle Beach Public Facilities Corporation Refunding Certificates of Participation (Myrtle Beach Convention Center), Series 2010 (the "2010 COPs"). The 2010 COPs are payable from such amounts, if any, as are annually appropriated by the City Council for such purpose.

(x) *Limited Obligation Bonds Series 2014A and 2014B.* At June 30, 2014, the City had outstanding \$17,400,000 Limited Obligation Bonds Series 2014A and \$44,515,000 Limited Obligation Bonds Series 2014B. The Series 2014A bonds were issued to finance the development and construction of a municipal sports complex and to refund the City's Hospitality Fee Revenue Bonds, Series 2004B originally issued to fund certain funds and accounts benefitting the Hotel and certain costs and expenses relating to the Hotel. Proceeds from the Series 2014B bonds were used to refund the 2002 Certificates of Participation originally issued for downtown redevelopment projects and to refund the City's Hospitality Fee Revenue Bonds, Series 2004A, which were issued to refund indebtedness of the Hotel Corporation incurred to finance the acquisition and development of the Hotel.

(xi) *2014 State Revolving Fund Loan.* In 2014 the City financed its 4th Avenue North Outfall project, constructing dual 84-inch reinforced concrete pipes extending approximately 1,200 feet offshore where the water can be cleaned effectively by natural processes. As a result, nine pipes that had discharged near public beaches were removed. The actual amount of the borrowing, not to exceed the authorized amount of \$11,950,000, will be determined at the completion of the project.

(xii) *Capital Lease Obligations.* The City is also a party to certain capital lease obligations in the original issue amount of \$9,236,605 entered into from 2007-2014 for the purpose of financing fire apparatus, telecommunications equipment and the refurbishment of prefunction space in the Center. The outstanding lease obligations totaled \$6,784,649 as of June 30, 2014.

Legal Debt Limit of Counties, School Districts and Special Purpose Districts; Overlapping Debt

Under the provisions of Article X, Section 14 of the State Constitution, each county, incorporated municipality and special purpose district may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law, (a) incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and (b) incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded

indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding eight percent of the assessed value of all taxable property therein. School districts are subject to similar constraints pursuant to the provisions of Article X, Section 15, except that the cut-off date for bonded indebtedness is November 30, 1982.

The following table sets forth the outstanding general obligation debt as of June 30, 2014 of each political subdivision which overlaps the City, either in whole or in part.

<u>Jurisdiction</u>	<u>Principal Outstanding</u>	<u>Percentage Applicable to the City of Myrtle Beach</u>	<u>Amount Applicable to the City of Myrtle Beach</u>
Horry County	\$ 87,853,000	22%	\$19,327,600
Horry County School District	346,986,000	22	76,336,920

Source: City Finance Department and Horry County.

Note: The percentage of debt applicable to the City is based on the percentage of assessed valuation of property located in the City.

Miscellaneous Debt Information

The City has not defaulted in the payment of principal or interest, or in any other material respect, with respect to any of its securities at any time within the last 25 years, nor has the City within such time issued any refunding bonds for the purpose of preventing a default in the payment of principal or interest on any of its securities then outstanding. The City has not used the proceeds of any bonds or other securities for current operating expenses at any time within the last 25 years.

Future Debt Plans; Other Capital Needs

The Fiscal Year 2015-2019 capital improvement plan and accompanying debt management plan contemplate the issuance of approximately \$17.6 million principal amount of general obligation bonds over the five-year period. The plan includes \$1.8 million for an upgrade of the City's 800 Mhz digital radio system and \$200,000 for the final engineering and design of a performing arts theater in Fiscal Year 2015. \$9.8 million for the construction of the performing arts theater is included in Fiscal Year 2016. \$1 million for Fire Station No. 3 expansion, \$1.6 million for the construction of Fire Station No. 7 on Harrelson Boulevard near the Myrtle Beach International Airport and Coastal Grande Mall, \$2 million for the second phase of the Grand Park Linear Extension, and \$1.3 million for the construction of a Parks Maintenance Facility are included in the latter years of the plan.

In November 2013, voters approved a bond referendum authorizing the City to issue up to \$10 million in general obligation bonds for construction of a performing arts center adjacent to the Myrtle Beach Convention Center. Bonds issued under authority of the referendum must be issued within five years of the vote authorizing the issue. The project is included in the capital improvements program adopted for the Fiscal Years 2015-2019.

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