DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Year Ending December 31, 2006

$30,795,000 City of Myrtle Beach, South Carolina
(Myrtle Beach Air Force Base Redevelopment Project Area)
Tax Increment Bonds
Series 2006A

Prepared by:

MUNICAP, INC.

June 28, 2007

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I. UPDATED INFORMATION

Information updated from the Limited Offering Memorandum dated September 29, 2006 is as follows:

- As of March 31, 2007, the developers reported that the amended redevelopment master plan, which allows for an increase in the number of condominium units in Phase II by five units to a total of 580 units, a decrease in the number of townhomes by 21 units to a total of 846 townhomes and an increase in retail or commercial office space in Phase II from 34,700 rentable square feet to 61,800 rentable square feet, was approved by the City Council on January 23, 2007. The developers also reported that the amended master plan realigns the number of parking spaces to match the residential and retail or commercial needs.

- As of March 31, 2007, the developers reported that a foundation permit was obtained for the P1 parking garage, foundation and footing permits were received for nine Phase I buildings, shell and core permits were obtained for five bid packages, including the nine Phase I commercial buildings, and residential upfit permits were obtained for three bid packages including seven Phase I buildings.

- As of March 31, 2007, the developer for Phase I of the development program reports that the total estimated retail and commercial rentable space for Phase I within the development would increase from 396,200 square feet to approximately 399,234 square feet.

- As of December 31, 2006, the developer for the Phase I development program reported that construction of the vertical improvements was approximately five percent complete. The developer also reported that the footing and foundation work for the Phase I buildings commenced after the completion of the pad grading and preparation for the pads to be delivered to tenants were approximately 25 percent complete.

- As of December 31, 2006, the developer for the Phase II development program reported that a construction contract for the building pad grading and preparation was executed for tract R11 and the work was approximately five percent complete. The tract was being prepared for sale to the Market Common Townhomes Corporation.

- According to the Phase II developer, Market Common Townhomes Corporation ("MCTC") entered into a Fifth Amendment to and Assignment of Lot Sale and Option Agreement (the "Amended Dock Street Contract") on March 28, 2007. According to the Amended Dock Street Contract, the rights of MCTC were reassigned from MCTC, an unincorporated entity, to Market Commons Townhomes, Inc., an incorporated affiliated entity ("MCTI").

- According to the Phase II developer, LUK-MB2 closed on the sale of Lots 45 through 69 in tract RI I (Parcels 241, 242 and 244) to MCTI on March 29, 2007.

- As of March 31, 2007, the Phase II developer reported that pursuant to the Amended Contract (the Amended and Restated Lots Contract between the developer and RWO, LLC), a payment in the amount of $600,000 was deposited by RWO Acquisition with an escrow agent (the "Forward Purchase Payment"). According to the terms of the Amended Contract, the Forward Purchase Payment was to become LUK-MB2's property, to be credited towards the purchase price of the Fourth Phase Lot Closing, upon issuance of the permits necessary for completion of LUK-MB2's Lot Preparation Work.

- As of March 31, 2007, LUK-MB1 reported that leases have been executed for approximately 57.12 percent of the total rentable retail space in Phase I. The developer also reported executing letters of intent with prospective retail or commercial tenants that would account for an additional 11.83 percent of the total rentable space in Phase I.

- As of March 31, 2007, the Phase I developer, LUK-MB1, reported that the infrastructure work was progressing according to schedule and the contractors were working on site and utility demolition, water and waste water collection relocation, storm drainage relocation, asphalt paving removal, concrete sidewalk removal, and building demolition pursuant to contracts with the developer. LUK-MB1 also reported that the contract for the vertical work in connection with the parking garage known as P1 was executed in February 2007, the precast and structural drawings were under review and the foundation permit was received. According to LUK-MB1, the contract for the parking garage known as P2 was being negotiated and was anticipated to be executed during the second quarter of 2007.

- As of March 31, 2007, the developer for Phase II of the development, LUK-MB2, reported that the Phase II north site work (which includes Iris, England and Gunnery Roads), including utilities, road work, curbs and drainage structures, was progressing according to schedule.

- As of March 31, 2007, the Phase I developer anticipated an aggregate increase of $1,267,237 in the projected cost of Phase I 2006 redevelopment projects against the estimate of $24,620,800 shown in the Limited Offering Memorandum, based on contracts awarded. As of March 31, 2007, the Phase II developer anticipated a decrease of $2,003,830 in the projected cost of the Phase II 2006 Redevelopment Projects from the estimate contained in the Limited Offering Memorandum, based on the contracts awarded to such date. As a result, as of March 31, 2006, the developers reported that the aggregate anticipated cost of the 2006 redevelopment costs would be approximately $38,381,024, which is slightly lower than the budgeted amount of $39,117,617 shown in the Limited Offering Memorandum.

- As of March 31, 2007, the trustee for the Series 2006A Bonds reported that

$1,334,637 was in bond proceeds had been disbursed to the Phase I developer from the Construction Fund.

- As of March 31,2007, LUK-MB1 reported that $24,705,655 of the projected required equity amount has been expended on costs of the Phase I vertical improvements and the developer anticipates that the full amount of equity will be expended before receiving any draw under either the senior loan or the mezzanine loan.

- According to Horry County, the total property taxes levied on real property within the Market Common/Aylon/MB Project Area were $462,694.84 during 2006, which were collected in full during the year.

- According to the Horry County Assessor’s Office, the total current fair value of the property within the Improvement District was $13,538,900 in 2006. Taxable property in Horry County is assessed at six percent of the current fair value. Accordingly, the total assessed value of property within the Improvement District was $812,334 in 2006.

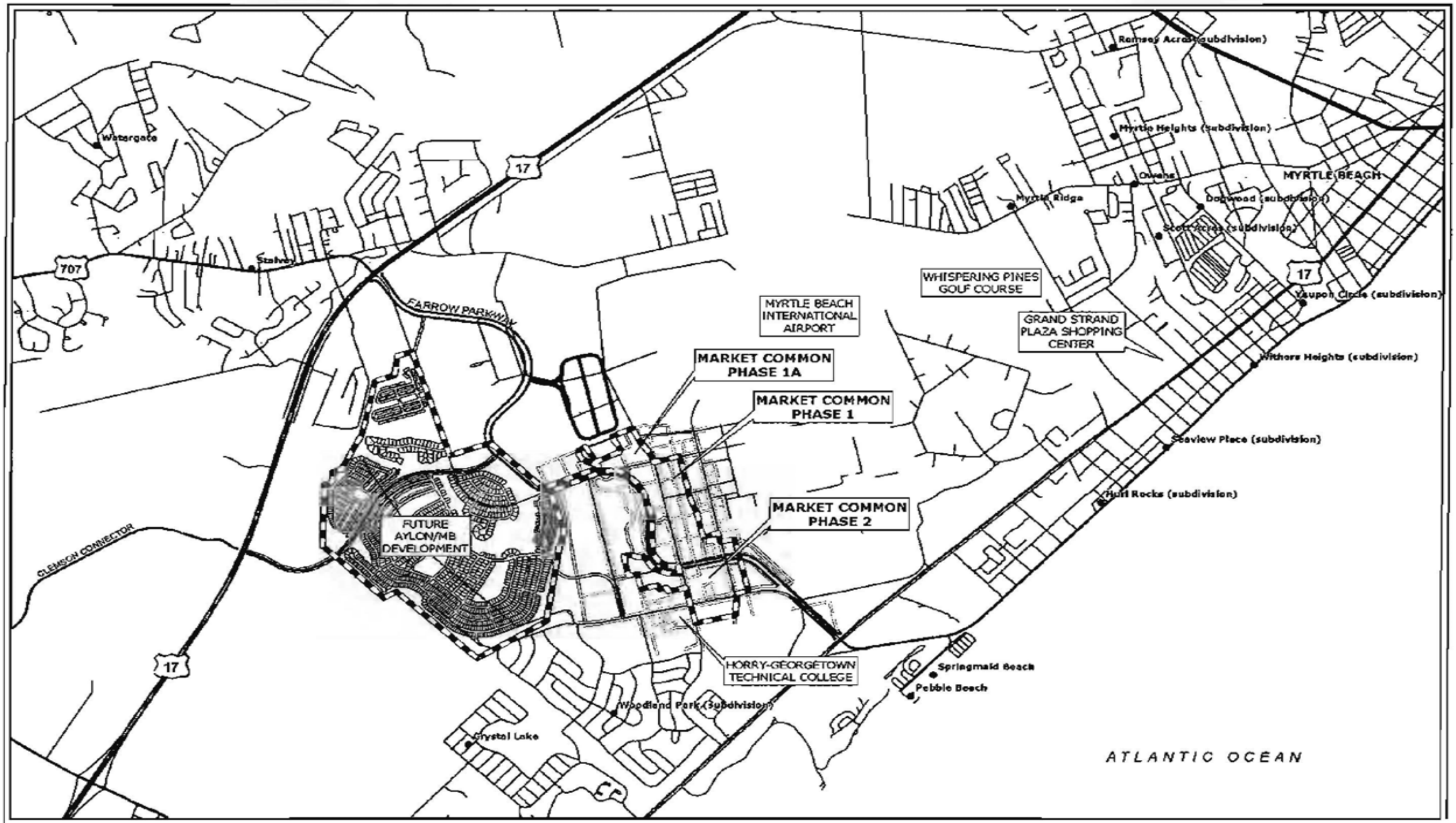
II. INTRODUCTION

The Myrtle Beach Air Force Base Redevelopment Project Area (the "Redevelopment Project Area") was established by operation of law upon the creation of the Myrtle Beach Air Force Base Redevelopment Authority (the "Authority") by Executive Order No. 94-23, which was issued by the governor on September 30, 1994. The Market Common Improvement District (the "Improvement District") was created by Ordinance No. 2005-79 (the "Improvement District Ordinance") enacted by the City Council of the City of Myrtle Beach (the "City Council") on November 3, 2005. The $30,795,000 Series 2006A Tax Increment Bonds were issued pursuant to Title 31, Chapter 12, South Carolina Code of Laws of 1976 (being the Federal Defense Facilities Redevelopment Law), as amended from time to time (the "Redevelopment Act") and the Ordinance No. 2006-81 enacted by the City Council on September 12, 2006 (as amended, the "Bond Ordinance").

The Series 2006 Bonds are issued to finance a portion of the costs of acquiring and constructing certain public improvements including road improvements, water distribution, stormwater management and wastewater management systems.

The Market Common Development is a multi-phased, multi-use mixed development on approximately 112 acres of the Redevelopment Project Area. The development is located approximately one-half mile from the Atlantic Ocean and approximately three miles south of downtown Myrtle Beach (the "Market Common Site") in Myrtle Beach, South Carolina. The development is situated between US Highway 17 Bypass and Kings Highway (US Highway 17 Business), adjacent to Farrow Parkway and almost immediately adjacent to the Myrtle Beach International Airport. The Market Common Site is located within the city limits of the City of Myrtle Beach and the boundaries of Horry County. At build-out, the development is expected to contain, approximately 605,900 rentable square feet of retail or commercial space, and approximately 1,636 townhomes, apartment and condominium units.

According to the Limited Offering Memorandum, LUK-MB1, a Delaware Limited Liability Company, together with its affiliates LUK-MB2 and LUK-MB5, as the "Market Common Developers" own approximately 105.7 acres of the Market Common Site and hold a lease interest in the remaining 6.3 acres with a purchase option subject to certain environmental remediation requirements.



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THE MARKET COMMON
DEVELOPMENT PERSPECTIVE

MAY 1, 2006 J-17162

SCALE: 1" = 3,000'
0 1,500 3,000 6,000 Feet

Appendix B

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The Market Common Development is a multi-phased, multi-use mixed development on approximately 112 acres of the Redevelopment Project Area. The development is located approximately one-half mile from the Atlantic Ocean and approximately three miles south of downtown Myrtle Beach (the "Market Common Site") in Myrtle Beach, South Carolina. The development is situated between US Highway 17 Bypass and Kings Highway (US Highway 17 Business), adjacent to Farrow Parkway and almost immediately adjacent to the Myrtle Beach International Airport. The Market Common Site is located within the city limits of the City of Myrtle Beach and the boundaries of Horry County.

As outlined in the Limited Offering Memorandum, The Market Common Development consists of three programs of development (or phases), including the "main street" retail, commercial, restaurant, parking, entertainment and apartment improvements identified as Phase I; the residential, retail, commercial, office, surface parking and street improvements identified as Phase II; and additional surface parking and retail improvements identified as Phase IA. The Phase I development program consists of approximately 396,200 rentable square feet of retail or commercial space and approximately 195 apartment units on approximately 27.6 acres within the development. The Phase II development program consists of approximately 34,700 rentable square feet of retail or commercial office space, approximately 866 townhomes and about 575 condominium units on approximately 62.9 acres within the development. The Phase IA development program consists of approximately 175,000 rentable square feet of retail or commercial space on approximately 21.5 acres within the development.

B. DEVELOPERS AND LAND OWNERS

According to the Limited Offering Memorandum, LUK-MB1, a Delaware Limited Liability Company, together with its affiliates LUK-MB2 and LUK-MB5, as the "Market Common Developers" own approximately 105.7 acres of the Market Common Site and holds a lease interest in the remaining 6.3 acres with a purchase option subject to certain environmental remediation requirements.

According to the Market Common developers, there have been no material changes in the form, organization or ownership of the developers or any affiliate(s) of the developers who owns property in the Market Common Site as described in the Limited Offering Memorandum.

C. STATUS OF DEVELOPMENT

(i) Status of Government Permits

According to the Limited Offering Memorandum, the property was zoned C-6, Urban Village Redevelopment District, which permits recreational, public and open space, retail, commercial and residential uses. According to the engineer's report included in the Limited Offering Memorandum, the Redevelopment Master Plan for the site was first approved in October 2004 and the Revised Redevelopment Master Plan was approved by the city in August

2005. According to the engineer's report, the necessary permits and approvals were obtained at the time of bond issuance for storm water management systems, Phase I water and sewer systems, Phase I site work, and final plat of subdivisions for Phases I and II.

The Market Common developers reported that the third amended redevelopment plan was approved by the City Council on January 23, 2007. As of March 31, 2007, the Market Common developers also reported that a foundation permit was obtained for the P1 parking garage, foundation and footing permits were received for nine Phase I buildings, shell and core permits were obtained for five bid packages, including the nine Phase I commercial buildings, and residential upfit permits were obtained for three bid packages including seven Phase I buildings.

Table III-1 below shows the summary of permits and approvals listed in the Limited Offering Memorandum and the status reported by the Market Common developers as of March 31, 2007.

Table III-1
Government Permits and Approvals

Description	Agency	Permit Status	Expected Receipt Date
Stormwater Management	City of Myrtle Beach	Approved	May 2006
Water (Phase I)	City of Myrtle Beach, SCDHEC	Approved	April 2006
Sewer (Phase I)	City of Myrtle Beach, SCDHEC	Approved	May 2006
Roadways and Site Grading	City of Myrtle Beach, SCDHEC, OCRM	Approved	August 2005
Phase I Sitework	City of Myrtle Beach	Approved	May 2006
Phase II Sitework	City of Myrtle Beach	Approved	December 2006
Phase I and II Landscape Package	City of Myrtle Beach	Submitted	September 2006
Foundation Permit	City of Myrtle Beach	Approved	September 2006
Building Permit (Buildings A2, A3, A4, A5, A6, A7, P1, P2, R2)	City of Myrtle Beach	In Progress	October 2006
Building Permit (Buildings R3, R13, R2A, Park Pavilion)	City of Myrtle Beach	In Progress	November 2006
Final Plat Subdivision for Phase I	City of Myrtle Beach Planning Commission	Approved	December 2005
Final Plat Subdivision for Phase II	City of Myrtle Beach Planning Commission	Approved	January 2006

(ii) Status of Vertical Development

According to the Limited Offering Memorandum, the Market Common Development consists of three programs of development (or phases), including the "main street" retail, commercial, restaurant, parking, entertainment and apartment improvements identified as Phase I; the residential, retail, commercial, office, surface parking and street improvements identified as Phase II; and additional surface parking and retail improvements identified as Phase IA.

As outlined in the Limited Offering Memorandum, Phase I of the Market Common Development would be developed by LUK-MB1 on approximately 27.6 acres of the Market Common Site and would feature a central "main street" with residential, retail, commercial and entertainment uses and parking. Phase I would be the centerpiece of the overall Market Common Development with multiple row-rise residential buildings located over ground-floor retail and commercial units, and a retail tenant mix of fashion and houseware retailers, restaurants, a grocer and a 14-screen theater. Phase I of the Market Common Development includes approximately 195 apartment units and approximately 396,200 rentable square feet of retail or commercial space.

According to the Limited Offering Memorandum, Phase II of the Market Common development would be developed by LUK-MB2 and contemplates up to 575 condominium units and approximately 866 townhomes. Phase II also includes retail and commercial lots totaling approximately 34,700 rentable square feet of retail or commercial space. As outlined in the Limited Offering Memorandum, the developer for Phase II of the Market Common Development planned to complete the horizontal improvements to support the Phase II vertical development and sell the parcels to third parties for completion of the vertical improvement.

According to the Limited Offering Memorandum, the retail components of Phase IA of the Market Common Development, which was slated for up to approximately 175,000 square feet of retail or commercial development, would be developed by LUK-MB5. As outlined in the Limited Offering Memorandum, both the final square footage and uses of the Phase IA site would depend largely on market conditions and environmental restrictions on the 6.3-Acre site related to the contamination generated by the Air Force during its use of the site as an Air Force Base. The Air Force undertook and completed remediation efforts with respect to the Phase I and II sites, and assumed responsibility for any remediation requirements on the remaining sites including the 6.3-acre site.

Table III-2 in the following page shows the phases, approximate acreage and development program as outlined in the Limited Offering Memorandum.

Table III-2
Phases and Development Programs

Phase	Approximate Acres	Development Program
I	27.6	396,200 rentable square feet of retail or commercial space, 195 apartment units
II	62.9	866 townhomes, 575 condominium units, 34,700 rentable square feet of retail or commercial space
IA	21.5	175,000 rentable square feet of retail or commercial space
Total	112.0	

According to the Market Common developers, the third Amended Redevelopment Master Plan was approved by the City Council on January 23, 2007. The amended redevelopment master plan allows for an increase in the number of condominium units in Phase II by 5 units to a total of 580 units, a decrease in the number of townhomes by 21 units to a total of 846 townhomes and an increase in retail or commercial office space in Phase II from 34,700 rentable square feet to 61,800 rentable square feet. The developers also reported that the amended master plan realigns the number of parking spaces to match the residential and retail or commercial needs. As of March 31, 2007, the developer for Phase I of the development program reports that the total estimated retail and commercial rentable space for Phase I within the development would be approximately 399,234 square feet.

As of December 31, 2006, the developer for the Phase I development program reported that construction of the vertical improvements was approximately five percent complete. The developer also reported that the footing and foundation work for the Phase I buildings commenced after the completion of the pad grading and preparation for the pads to be delivered to tenants were approximately 25 percent complete.

As of December 31, 2006, the developer for the Phase II development program reported that a construction contract for the building pad grading and preparation was executed for tract R11, a 3.065 acre tract, and the work was approximately five percent complete. The tract was being prepared for sale to the Market Common Townhomes Corporation.

a) Status of Residential Development

According to the Market Common developers, the infrastructure improvements for both the retail and residential developments were underway. Information regarding the vertical and infrastructure improvements that serve both retail and residential developments is provided under the Status of Development and Proposed Public Improvements section of this report.

b) Status of Lot Sales and Closings

According to the Limited Offering Memorandum, the Market Common developers had entered into two land sale agreements with third-party builders. The first lot sale and options agreement was for the sale of 173 lots within Phase II of the development to Market Commons Townhomes Corporation, MCTC. The second lot sale agreement was for the sale of certain lots to RWO Acquisition, LLC on portions of the Phase II site entitled for 128 condominium units, the Phase II site entitled for 92 townhomes, the Phase II site entitled for 152 condominium units and the Phase II sites entitled for 56 townhomes.

As of March 31, 2007, the developer for Phase II of the development, LUK-MB2 reported that no new contracts for lots or parcels within Phase II of the Market Common Development have been entered into since the date of the Limited Offering Memorandum; however, on March 28, 2007, Market Common Townhomes Corporation ("MCTC") entered into a Fifth Amendment to and Assignment of Lot Sale and Option Agreement (the "Amended Dock Street Contract"). According to the Amended Dock Street Contract, the rights of MCTC were assigned from MCTC, an unincorporated entity, to Market Commons Townhomes, Inc., an incorporated affiliated entity ("MCTI"). The Amended Dock Street Contract also acknowledged the assignment of the Dock Street Contract by LUK-MB 1 to LUK-MB2, which assignment took place prior to the closing on the Bonds. LUK-MB2 was also successful in obtaining a release of the 25' and 15' Utility Easements identified on that certain Final Subdivision Plat of Phase 2 North of Farrow and Phase 2 South of Farrow recorded among the land records of Horry County, South Carolina, at Plat Book 206, Pages 243 and 243A, which easement burdens Parcels 227-230 inclusive of the Property (the "Utility Easement"), so that Parcels 227-230 are no longer burdened. The developer reported that LUK-MB2 may and shall retain RWO Acquisition's earnest money.

According to the Phase II developer, LUK-MB2 closed on the sale of Lots 45 through 69 in tract R11 (Parcels 241, 242 and 244) to MCTI on March 29, 2007. LUK-MB2 reported having no further development obligations regarding these lots. In order to complete the sale of the lots in tract R 11 to MCTJ, LUK-MB2 needed to obtain the release of a 22' Ingress/Egress Easement that ran from the Myrtle Beach Golf Holiday property to Mallard Lake Drive (formerly known as Howard Parkway (the "First Easement")). On March 28, 2007, LUK-MB2 entered into a Purchase and Sale Agreement (the "MBGH Purchase Contract") with Myrtle Beach Golf Holiday, Inc. (the "Seller"), the owner of a 1.614 piece of property inclusive of the First Easement and an additional easement running from the MBGH Property to Shine Avenue (the "Second Easement") (collectively the "MBGH Property"), to purchase the MBGH Property. Pursuant to the provisions of the MBGH Purchase Contract, upon deposit of the Earnest Money and Additional Earnest Money (both as defined in the MEGH Purchase Contract) by LUK-MB2, the Seller was obligated to deliver a quitclaim deed fully vacating the First Easement (the "Easement Deed"). The Easement Deed was recorded on March 29, 2007. LUK-MB2 reported that it has not determined a plan for development of the MBGH Property.

The Phase II developer also reported that pursuant to the Amended Contract (the Amended and Restated Lots Contract between the developer and RWO, LLC), a payment in the amount of $600,000 was deposited by RWO Acquisition with an escrow agent (the "Forward Purchase Payment"). According to the terms of the Amended Contract, the Forward Purchase Payment was to become LUK-MB2's property, to be credited towards the purchase price of the Fourth Phase Lot Closing, upon issuance of the permits necessary for completion of LUK-MB2's Lot Preparation Work. RWO Acquisition waived the contractual obligation that permits must be issued prior to disbursement of the Forward Purchase Payment as the application for such permits was filed. The permits are expected to be issued in the second quarter of 2007. As such, on March 13, 2007, the Forward Purchase Payment was forwarded to and deposited by LUK-MB2.

Table III-3 below shows the phases, lots sold, planned development type, third-party builder, and lots closed as reported by the Market Common developers as of March 31, 2007.

Table III-3
Status of Lot Sales and Closings

Phase	Lots Sold	Development Type	Third-Party Builder	Lots Closed
I	0	N/A	N/A	0
II	173	Townhomes	MCTI	24
II	Parcels	Condominium	RWO	0
II	Parcels	Townhomes	RWO	0
IA	0	N/A	N/A	0
Total:				

c) Status of Retail/ Commercial Leasing

As of March 31, 2007, the developer for Phase I of the development program, LUK-MB1, anticipates that the estimated total retail and commercial rentable space of Phase I within the Market Development would increase from 396,200 square feet to be approximately 399,234 square feet. According to the Phase I developer, the square footage of the Phase I rentable space may change with the future progress of construction. According to the Phase I developer, retail leasing activity remained strong and was encompassing a broad tenant mix.

As of March 31, 2007, LUK-MB1 had executed leases for approximately 57.12 percent of the total rentable retail space in Phase I. The developer also reported executing letters of intent with prospective retail or commercial tenants that would account for an additional approximately 11.83 percent of the total rentable space in Phase I.

Table III-4 in the following page summarizes the status of leasing and lease negotiations (expressed by the developer as percentages of total rentable space in Phase I) for Phase I of the Market Common Development as of March 31, 2007.

Table III-4
Status of Retail/Commercial Leasing

Tenant Name	Trade Name	Type of Use	Rentable Square Footage[2]	Percent
Market Common Cinema, LLC	Consolidated Theaters	Theaters	51,941	13.01%
Piggy Wiggly Holdings, LLC	Piggly Wiggly	Grocery	43,765	10.96%
Barnes & Noble Booksellers, Inc.	Barnes & Noble	Books & Music	28,000	7.01%
Tommy Bahama R&R Holdings, Inc.	Tommy Bahama's	Specialty Retail	12,458	3.12%
Anthropologie, Inc.	Anthropologie	Fashion Retail	12,000	3.01%
The Orvis Company	Orvis Sports	Specialty Retail	10,198	2.55%
Big River Breweries, Inc	Gordon Biersch	Restaurant/Bar	8,846	2.22%
Banana Republic, LLC	Banana Republic	Fashion Retail	8,000	2.00%
Divine Dining Group, Inc.	Divine Steakhouse	Restaurant/Bar	7,778	1.95%
P.F. Chang's China Bistro, Inc.	PF Chang's China Bistro	Restaurant/Bar	6,600	1.65%
Coldwater Creek, Inc.	Coldwater Creek	Fashion Retail	6,000	1.50%
Williams-Sonoma Stores, Inc.	Williams Sonoma	Specialty Retail	6,000	1.50%
Chico's FAS, Inc.	Chico's	Fashion Retail	4,432	1.11%
LUK-MB1, LLC	Management Office	Service	3,328	0.83%
White House Black Market, Inc.	White House Black Market	Fashion Retail	3,000	0.75%
Bag N' Baggage, Ltd.	Bag N' Baggage	Fashion Retail	2,853	0.71%
Carlye & Co. of Montgomery	Carlye & Co.	Specialty Retail	2,750	0.69%
Soma by Chico's, LLC	Soma by Chico's	Fashion Retail	2,617	0.66%
P&F, Inc.	Copper Penny	Fashion Retail	1,901	0.48%
TGC Enterprises, Inc.	Planet Beach Tanning Spa	Specialty Retail	1,843	0.46%
P&F, Inc.	Copper Penny Shooz	Fashion Retail	1,584	0.40%
Coldstone Creamery Leasing Company, Inc.	Cold Stone Creamery	Restaurant/Bar	1,300	0.33%
Sunglass Hut Trading Corp.	Luxotica	Specialty Retail	900	0.23%
Subtotal: Leases Executed			228,094	**57.1%**
Letters of Intent Executed			47,229[1]	**11.8%**
Letter of Intent Negotiations			55,853[1]	**14.0%**
Remaining Rentable Space			68,058[1]	**17.0%**
Total Estimated Rentable Space Available			**399,234**	**100%**

1- The square footages are calculated from percentages and aggregate rentable square footage reported by the developer.

2- According to LUK-MB1, the rentable square footage information may change as the retail or commercial components are constructed.

D. PROPOSED PUBLIC IMPROVEMENTS

According to the Limited Offering Memorandum, the infrastructure improvements to be designed, constructed and/or acquired within the Market Common Development, the 2006 Redevelopment Projects, include, but are not limited to, road and alley improvements, streetscaping and landscaping, public park improvements, storm drainage, sidewalks, lighting, traffic signals, irrigation, surface and structured parking. The 2006 Redevelopment Projects are to be partially financed by the Series 2006A Bonds. According to the Limited Offering Memorandum, the total cost of the 2006 redevelopment projects was estimated to be $39,117,617.

As outlined in the engineer's report included in the Limited Offering Memorandum, infrastructure improvements required for the Market Common Development include on-site road modifications to Farrow Parkway and new urban roads, water and sewer infrastructure including water lines and replacement of the old water distribution system, wastewater infrastructure including master pump station and trunk sanitary sewer lines, and a storm water management system.

Status of Construction of the Public Improvements

As of March 31, 2007, the developer for Phase I of the development, LUK-MB1, reported that the infrastructure work was progressing according to schedule and the contractors were working on site and utility demolition, water and waste water collection relocation, storm drainage relocation, asphalt paving removal, concrete sidewalk removal, and building demolition pursuant to contracts with the developer. LUK-MB1 also reported that the contract for the vertical work in connection with the parking garage known as P1 was executed in February 2007, the precast and structural drawings were under review and the foundation permit was received. According to LUK-MB1, the contract for the parking garage known as P2 was being negotiated and was anticipated to be executed during the second quarter of 2007.

As of March 31, 2007, the developer for Phase II of the development, LUK-MB2, reported that the Phase II north site work (which includes Iris, England and Gunnery Roads), including utilities, road work, curbs and drainage structures, was progressing according to schedule, The developer reported that site work continued along Iris and England Avenues. Sanitary sewer, storm sewer and installation of water lines were complete along Iris Avenue. The stone base for the road was being installed with curbs and gutters would be installed in second quarter of 2007. Installation of water lines along England Avenue was ongoing. Installation of the storm sewer and stone base for the road would continue through the second quarter of 2007.

LUK-MB2 also reported that, with regard to the Phase II north parcels (which include Parcels 201 through 239), a contract for installation of sanitary sewer, storm sewer, water lines and road work for tract R4, including parcels 209, 211, and 212, was awarded to Weaver Corporation, Inc. and executed on March 16, 2007 and the work was underway with the remaining work anticipated to be completed in the second quarter of 2007. Additionally, a contract for installation of sanitary sewer, storm sewer, water lines and road work for tract C5, including parcel 201, was awarded to Weaver Corporation, Inc., was executed on March 23, 2007 and the work was ongoing with the remaining work anticipated to be completed in the second quarter of 2007. According to LUK-MB2, as of March 31, 2007, the Phase II south A site work (which includes Forrester, Tillman and Wainwright Avenues), including utilities, road work, curbs and drainage structures, had begun. The developer reported that sanitary sewer was nearing completion and installation of the storm sewer had begun.

As of March 31, 2007, LUK-MB1 anticipated an aggregate increase of $1,267,237 in the projected cost of Phase I 2006 redevelopment projects against the estimate of $24,620,800 shown in the Limited Offering Memorandum, based on contracts awarded. As of March 31, 2007, based on the contracts awarded to such date, LUKMB2 anticipated a decrease of $2,003,830 in the projected cost of the Phase II 2006 Redevelopment Projects against the estimate contained in the Limited Offering Memorandum. As a result, as of march 31, 2007, the developers reported that the aggregate anticipated cost of the 2006 redevelopment costs would be $38,381,024, which is slightly lower than the budgeted amount of $39,117,617 shown in the Limited Offering Memorandum. The Market Common developers reported that projected costs of the 2006 Redevelopment Projects may change as construction continues and additional contracts are awarded.

As of March 31, 2007, the trustee for the Series 2006A Bonds reported that a total of $1,334,637 was disbursed to the Phase I developer, LUK-MB1, from the Construction Fund of the Series 2006A Bonds.

Status of Financing

According to the Limited Offering Memorandum, LUK-MB1 and its sole member LUK-MB1 Holding, LLC, would incur up to $114 million in senior financing and mezzanine financing to finance costs connected with Phase I of the Market Common Development. JP Morgan Chase Bank, National Association, would serve as the agent for a syndicate group of lenders in connection with a senior loan to LUK-MB1 in the maximum amount of $95 million. The senior loan would bear interest at a floating rate of LIBOR plus 1.65 percent, payable monthly and would mature in 36 months, with two 12-month extension periods. LUK-MB Corp. would make a mezzanine loan to MB1 Holdings in the maximum amount of $19 million. The mezzanine loan would accrue interest at a floating rate of LIBOR plus 7.0 percent, but Holdings is obligated to pay interest on a current basis at the floating rate of LIBOR plus 3.5 percent, and the difference between accrued interest and the interest paid is added to principal on a monthly basis. The mezzanine loan would also mature in 36 months, with two 12-month extension periods. The balance of the total redevelopment costs not financed by the bond proceeds, the senior loan and the mezzanine loan would be financed as equity of the Market Common developers including land sale proceeds.

As of March 31, 2007, the Phase I developer, LUK-MB1 anticipated that the total cost of the Phase I private vertical improvements to be built by LUK-MB1would be approximately $149,585,713 (exclusive of land acquisition costs) and that equity in the aggregate amount of $35,585,713 would be required to complete the construction of such private improvements in addition to the senior and mezzanine financings.

As of March 31,2007, LUK-MB1 reported that $24,705,655 of the projected required equity amount has been expended on costs of the Phase I vertical improvements and the developer anticipates that the full amount of equity will be expended before receiving any draw under either the senior loan or the mezzanine loan.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2006 Bonds is U.S. Bank, National Association. The following table shows the initial balance, interest paid, additional proceeds, disbursements and account balances as of December 31, 2006:

Table IV - 1
Fund Balances

	Initial Deposit	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/06
Debt Service Reserve Fund	$2,206,995	$12,682	$0	$0	$2,219,677
Construction Fund	$23,794,254	$61,688	$0	$2,415,143	$21,440,799
Capitalized Interest Account	$4,235,507	$11,328	$0	$0	$4,246,835
Bond Revenue Account	$0	$0	$0	$0	$0
Total	$30,236,756	$85,698	$0	$2,415,143	$27,907,311

Disbursements from the Construction Fund are for the costs of issuing of the Series 2006A Bonds and payments for the construction of the public improvements.

The interest paid through December 31, 2006 does not include interest accrued but not yet paid. Bond proceeds in the Series 2006 Debt Service Reserve Fund are invested in money market funds currently earning approximately 4.82 percent per year. Bond proceeds in the Series 2006A Construction Fund and Capitalized Interest Account are also invested in money market funds currently earning approximately 4.87 percent per year. Table IV-2 shows the approximate rate of return on the investments.

According to Section 8.7 of the Bond Ordinance enacted on December 13, 2005, all investment income or interest earnings on the 2006A Construction Fund shall be retained and be used to pay the redevelopment project costs. All investment income or interest earnings on the Interest Subaccount, Principal Subaccount, Bond Redemption Subaccount or any Debt Service Reserve Fund shall be retained in such subaccount or fund and shall be applied as provided in Sections 8.2 and 8.3 thereof.

Table IV – 2

Account	Rate of Return
Debt Service Reserve Fund	4.82%
Construction Fund	4.87%
Capitalized I Account	4.87%

V. DISTRICT FINANCIAL INFORMATION

The information provided in this section is to meet the requirements for the annual report as provided for in Section 3(a) of the Continuing Disclosure Agreement. The items listed below are in the same format and order as the items required for the annual report as listed in the Continuing Disclosure Agreement.

All information in this section is provided as of December 31, 2006, unless otherwise stated.

A. FUND BALANCES

The fund balances as of December 31, 2006 for all of the funds and accounts provided for in the Indenture are included in Table IV-1 of Section IV, "Trustee Accounts," of this report.

B. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT OF ASSESSMENTS

There have been no changes to the Rate and Method of Apportionment of Assessments.

C. CHANGES TO THE AD VALOREM REAL PROPERTY TAX RATES

The fiscal year 2006 ad valorem property tax rates are shown in Table V-1 below.

Table V-1
Millage Rates
(Per $1,000 of Assessed Value)

Millage	2005	2006	Change
City of Myrtle Beach	61.4	61.4	0.00
Horry County	46.3	46.3	0.00
School	129.7	135.3	5.60
Total	237.4	243	5.60

D. TAXES LEVIED AND COLLECTED

According to Horry County, the total property taxes levied on real property within the Market Common/Aylon/MB Project Area were $462,694.84 during 2006. According to Horry County, the total property taxes collected on real property within the Market Common/Aylon/MB Project Area were $462,694.84 during 2006, which is equal to 100 percent of the taxes due.

E. DELINQUENT TAXES

According to Horry County, property taxes within the Market Common/Aylon/MB

Project Area were collected in full during 2006. Accordingly, there are no delinquent property taxes for 2006.

F. TAXES BY PROPERTY OWNER

According to the Horry County website, the property owners responsible for the payment of more than five percent of property taxes within the Market Common/Aylon/MB Project Area are shown in Table V-2 below.

Table V-2
Property Tax by Owner

Owners	2006 Property Taxes Levied	2006 Property Taxes Collected	Percentage
LUK-MB1, LLC	$189,903	$189,903	41.0%
MB Property Development II, LLC.	$148,967	$148,967	32.2%
Aylon, LLC.	$123,825	$123,825	26.8%
	$462,695	**$462,695**	**100.0%**

G. ASSESSMENTS COLLECTED

There were no assessments imposed or collected during 2006.

H. DELINQUENT ASSESSMENTS

There were no assessments imposed or collected during 2006. Accordingly, there are no delinquent assessments at this time.

I. ASSESSED VALUE

According to the Horry County Assessor's website, the total current fair value of the property within the Improvement District was $13,538,900 in 2006. Taxable property in Horry County is assessed at six percent of the current fair value. Accordingly, the total assessed value of property within the Improvement District was $812,334 in 2006.

Table V-3 in the following page shows the tax parcel number, the current fair value, the assessed value and the Assessments on each parcel within the Improvement District.

<u>Table V-3</u>
Assessed Value and Assessments
(Market common Improvement District)

Tax Parcel Number	2006 Market Value	2006 Assessed Value	Assessments
186-00-01-360	$1,456,300	$87,378	$17,483,614
186-00-01-361	$1,415,400	$84,924	$5,255,843
186-00-01-362	$1,867,400	$112,044	$2,245,376
186-00-01-363	$2,371,100	$142,266	$16,059,166
186-00-01-364	$1,098,300	$65,898	$9,413,617
186-00-01-365	$546,100	$32,766	$2,041,130
186-00-01-366	$417,200	$25,032	$1,397,525
186-00-01-367	$282,200	$16,932	$1,796,301
186-00-01-368	$1,966,000	$117,960	$4,390,957
186-00-01-369	$602,200	$36,132	$2,128,949
186-00-01-370	$18,200	$1,092	$0
186-00-01-120	$980,000	$58,800	$2,661,186
186-00-01-458	$4,500	$270	$0
186-00-01-134	$287,500	$17,250	$11,652,003
186-00-01-093	$65,200	$3,912	$0
186-00-01-450	$43,100	$2,586	$3,051,715
186-00-01-449	$118,200	$7,092	$1,479,619
Total	**$13,538,900**	**$812,334**	**$81,057,001**

According to the Horry County Assessor's website, the total current fair value of the property within the Market Common/Aylon/MB Redevelopment Project Area was $32,248,900 in 2006. Taxable property in Horry County is assessed at six percent of the current fair value. Accordingly, the total assessed value of property within the Market Common/Aylon/MB Redevelopment Project Area was $1,934,934 in 2006.

Table V-4 in the following page shows the tax parcel number, the current fair value and the assessed value on each parcel within the Market Common/Aylon/MB Redevelopment Project Area as of Improvement District.

J. SIGNIFICANT AMENDMENTS TO LAND USE

As of March 31, 2007, the developer reports that there were no significant amendments to land use entitlements or legal challenges to the construction of the developments.

K. CHANGES APPROVED BY THE CITY

As of March 31, 2007, the Market Common developers reported that there were no changes approved by the City except those explained under Section III "Development Activities" Section of this report.

<u>Table V-4</u>
Assessed Values
(Market Common/Aylon/MB Redevelopment Project Area)

Tax Parcel Number	2006 Market Value	2006 Assessed Value
Market Common Improvement District		
186-00-01-360	$1,456,300	$87,378
186-00-01-361	$1,415,400	$84,924
186-00-01-362	$1,867,400	$112,044
186-00-01-363	$2,371,100	$142,266
186-00-01-364	$1,098,300	$65,898
186-00-01-365	$546,100	$32,766
186-00-01-366	$417,200	$25,032
186-00-01-367	$282,200	$16,932
186-00-01-368	$1,966,000	$117,960
186-00-01-369	$602,200	$36,132
186-00-01-370	$18,200	$1,092
186-00-01-120	$980,000	$58,800
186-00-01-458	$4,500	$270
186-00-01-134	$287,500	$17,250
186-00-01-093	$65,200	$3,912
186-00-01-450	$43,100	$2,586
186-00-01-449	$118,200	$7,092
Subtotal	**$13,538,900**	**$812,334**
Aylon Property		
186-00-01-048	$8,492,800	$509,568
Subtotal	**$8,492,800**	**$509,568**
MB Property		
186-00-01-460	$7,994,400	$479,664
186-00-01-461	$2,222,800	$133,368
Subtotal	**$10,217,200**	**$613,032**
Total	**$32,248,900**	**$1,934,934**

L. PROJECTED DEBT SERVICE COVERAGE

Table V-5 in the following page shows the projected debt service coverage as shown in the Limited Offering Memorandum, which did not change in the three months between the bond issuance date and the end of 2006.

Table V-5
Projected Average Debt Service Coverage

Scenario	Maximum Annual Debt Service	Annual Tax Increment Revenue	Debt Service Coverage
Scenario A	$2,206,995	$8,980,003	407%
Scenario B	$2,206,995	$8,980,003 to $16,266,032	407-737%
Scenario C	$2,206,995	$5,332,812 to $9,659,651	242-438%
Scenario D	$2,206,995	$4,945,090	224%

M. ASSESSMENT ROLL

Table V-6 below shows the Assessment Roll as included in the Rate and Method of Apportionment section of the Limited Offering Memorandum.

Table V-6
Assessment Roll

Tax Parcel Number	Owner	Description (Acreage)	Assessment
186-00-01-360	LUK-MB1, LLC	9.606	$17,483,614
186-00-01-361	LUK-MB1, LLC	9.331	$5,255,843
186-00-01-362	LUK-MB1, LLC	12.315	$2,245,376
186-00-01-363	LUK-MB1, LLC	15.639	$16,059,166
186-00-01-364	LUK-MB1, LLC	7.242	$9,413,617
186-00-01-365	LUK-MB1, LLC	3.608	$2,041,130
186-00-01-366	LUK-MB1, LLC	2.759	$1,397,525
186-00-01-367	LUK-MB1, LLC	1.865	$1,796,301
186-00-01-368	LUK-MB1, LLC	12.969	$4,390,957
186-00-01-369	LUK-MB1, LLC	3.974	$2,128,949
186-00-01-370	LUK-MB1, LLC	0.127	$0
186-00-01-120	LUK-MB1, LLC	7.921	$2,661,186
186-00-01-458	LUK-MB1, LLC	1.185	$0
186-00-01-134	LUK-MB1, LLC	7.589	$11,652,003
186-00-01-093	LUK-MB1, LLC	0.431	$0
186-00-01-450	LUK-MB1, LLC	1.923	$3,051,715
186-00-01-449	LUK-MB1, LLC	5.276	$1,479,619
Total		**103.76**	**$81,057,001**

VI. NOTICE EVENTS

A. DEVELOPERS' SIGNIFICANT EVENTS

Developers' significant events generally include the following:

(i.) failure to pay *ad valorem* property taxes levied within the Market Common Development or Assessments imposed within the Improvement District, in either case with respect to a parcel owned by the developer or any an entity controlled, directly or indirectly, by, or under common control with, a developer (an "Affiliate");

(ii.) material damage to or destruction of any development or improvements within the Market Common Development;

(iii.) material default by a developer, or any affiliate thereof on any loan to a developer or such affiliate with respect to construction or permanent financing of the Market Common Development;

(iv.) material default by a developer, or any affiliate thereof, on any loan secured by property within the Improvement District owned by a developer or any affiliate thereof;

(v.) the filing by or against a developer, or any affiliate thereof, or any owner(s) of more than a 25% ownership interest in a developer, of a bankruptcy petition or any final determination by a court of competent jurisdiction that a developer, or an owner of interests in a developer, or a subsidiary of a developer, or any affiliate thereof, is unable to pay its debts as they become due; and

(vi.) the filing of any lawsuit, arbitration proceedings, administrative action, or other claim or cause of action against a developer or the developers that claims damages in excess of $1,000,000 and which may materially adversely affect the completion of the Market Common Development or the 2006 redevelopment projects, or litigation in excess of $1,000,000 which would materially adversely affect the financial condition of a developer.

The Market Common developers have reported that no significant events have occurred as of March 31, 2006.

B. NOTICE EVENTS

The administrator is required to file a notice to the State Depository (if any), each National Repository, or the Municipal Securities Rulemaking Board to report the occurrence of a Notice Event if it is instructed by the County to do so, as prescribed in Section 4 of the Proposed Form of Continuing Disclosure Reports in the Limited Offering Memorandum.

Notice events generally include the following:

(i) Delinquency in payment when due of any principal of or interest on the Bonds;

(ii) Occurrence of any default under the Bond Ordinance (other than those described in clause (i) above) or the Development agreement, the TIF Agreement, or the Infrastructure Purchase Agreement;

(iii) Amendment to the Bond Ordinance modifying the rights of the Bondholders;

(iv) Giving of notice of optional or unscheduled redemption of Bonds;

(v) Defeasance of Bonds or any portion thereof;

(vi) Any change in the rating, if any, on the Bonds;

(vii) Adverse tax opinions or events affecting the tax-exempt status of the Bond;

(viii) Unscheduled draws on debt service reserves or any credit enhancement reflecting financial difficulties;

(ix) Any change or substitution in the provider of any credit enhancement reflecting financial difficulties;

(x) The release, substitution, or sale of property securing repayment of Bonds (including property leased, mortgaged or pledged as security); and

(xi) The continuing disclosure event notices provided to the Administrator by the developers as more particularly set forth in the Developers' Continuing Disclosure Agreement.

The administrator does not have knowledge of any listed events as of the date of this report.

Additionally, the administrator does not have knowledge of any of the following: (i) changes to the "Rate and Method of Apportionment of Special Taxes," (ii) significant amendments to land use entitlements or legal challenges to the construction of the development, or (iii) changes approved by the authority in the type of public facilities to be constructed from those described the Limited Offering Memorandum.