

\$30,795,000
CITY OF MYRTLE BEACH, SOUTH CAROLINA
TAX INCREMENT BONDS
(MYRTLE BEACH AIR FORCE BASE REDEVELOPMENT PROJECT AREA),
SERIES 2006A

SUPPLEMENTAL DEVELOPER'S CONTINUING DISCLOSURE STATEMENT

Attn: Keenan Rice
MuniCap, Inc.
8340 Governor Ridgely Lane
Ellicott City, MD 21043

LUK-MB1, LLC ("LUK-MB1"), has determined to provide the following supplemental information as of August 27, 2009. All capitalized terms used but not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated as of September 29, 2006 (the "Limited Offering Memorandum") or the Developers' Continuing Disclosure Statement for the quarter ended June 30, 2009 (the "Second Quarter Disclosure Statement").

Part I – RECENT DEVELOPMENTS

As of the date of the Second Quarter Disclosure Statement, JP Morgan Chase Bank, N.A., as Agent, the Lenders and LUK-MB1 were in ongoing negotiations regarding the terms of a modification to the Loan Agreement and Loan Documents. A general description of the terms of the proposed modification was contained in the Second Quarter Disclosure Statement.

Subsequent to the date of the Second Quarter Disclosure Statement, on August 20, 2009, LUK-MB1, the Agent and the Lenders reached agreement on the terms of, and have executed, a modification to the Loan Agreement and Loan Documents (the "Second Amendment"). In the Second Amendment, the Agent and the Lenders have agreed with LUK-MB1, among other things, as follows: (i) to forebear from pursuing remedies under the terms of the Loan Agreement and other Loan Documents due to the alleged defaults described in the Second Quarter Disclosure Statement, for the time period prior to the October 10, 2009 maturity date of the Senior Loan (the "Maturity Date"), provided that the agreement to forebear will terminate upon the occurrence of any other Event of Default under the Loan Documents or upon the occurrence of certain specified defaults under the Second Amendment; (ii) to allow interest on the unpaid balance of the Senior Loan, including the Swap Agreement Early Termination Amount as further described in clause (vii) below, to accrue at the rate that would have been applicable in the absence of a default ("Non-Default Rate") (unless a default occurs, under which circumstances, interest would accrue at the Default Rate, as such term is defined in the Loan Agreement); (iii) to allow loan proceeds of the Senior Loan in the amount of \$2,245,858 to be disbursed to pay for Actual Total Phase I Improvement Costs, subject to applicable conditions contained in the Loan Agreement; (iv) to allow LUK-MB1 to provide rent relief to certain Tenants; (v) to allow LUK-MB1 to pay interest, on a current basis, on the

Senior Loan and make required deposits into a real estate tax escrow only to the extent of available net operating cash flow after payment of permitted operating expenses; (vi) to prohibit LUK-MB1 from making any payments on the Mezzanine Loan until the outstanding balance of the Senior Loan, increased to include the Early Termination Amount as described in clause (vii) below, together with any interest accrued thereon, is paid in full; and (vii) to increase the unpaid principal of and the Senior Loan to include the Early Termination Amount (together with accrued interest thereon through August 20, 2009) in the amount of \$7,668,010.35.

The Second Amendment does **not** include any provisions relating to an extension of the Senior Loan beyond the Maturity Date.

While the execution of the Second Amendment by the parties has resolved some previously-open issues faced by Phase I and LUK-MB1, a substantial number of risks and uncertainties remain with respect to Phase I and the financial condition of LUK-MB1, including, but not limited to: the upcoming maturity dates on October 10, 2009 of each of the Senior Loan and Mezzanine Loan; the requests for rent relief from Phase I tenants; the risks relating to losses of tenants as a result of cotenancy provisions; and the possibility of an impairment of LUK-MB1's operating revenues as a result of both tenant occupancy issues and/or rent relief with respect to the retail, commercial and office portions of Phase I and reduced revenues from the residential units. Reference should be made to the Second Quarter Disclosure Statement with respect to such issues and the other information set out therein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, I have hereunto set my hand as of this 27th day of August, 2009.

LUK-MB1, LLC,
a Delaware limited liability company

By: LUK-MB1 HOLDINGS, LLC,
Its Sole Member

By: McMYRTLE LLC,
Its Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager

By: 
Name: Daniel T. McCaffery
Title: Its President