

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

**DEVELOPERS' CONTINUING DISCLOSURE STATEMENT**

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

In accordance with the Continuing Disclosure Agreement (the "Agreement") by and between the undersigned, LUK-MB1, LLC ("LUK-MB1"), LUK-MB2, LLC ("LUK-MB2"), and LUK-MB5, LLC ("LUK-MB5" and, collectively with LUK-MB1 and LUK-MB2, the "Developers") and MuniCap, Inc. (the "Administrator") dated October 19, 2006, the Developers hereby provide the following information as of December 31, 2007. 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"). To the best of the respective knowledge of the undersigned:

**Part I – CHANGES TO STREET NAMES**

The Developers have been advised that a substantial number of the street names at the Market Common, Myrtle Beach have been changed. These changes, which were requested by the City, have been and/or will be implemented over time as subdivision, recombination and other plats are recorded in connection with lot sales or otherwise. As of December 31, 2007, not all these names had yet been included in the land records. The main road through the Market Common, Myrtle Beach described in the Limited Offering Memorandum, Farrow Parkway, continues to be so called, but the names of many of the other streets described in the Engineer's Report included in the Limited Offering Memorandum have changed. Certain information regarding these changes is set out in Part II below as it relates to the status of completion of certain of the 2006 Redevelopment Projects.

**Part II – PERIODIC REPORTS**

**LUK-MB1, LLC REPORT AS OF DECEMBER 31, 2007**

1. Material Change in Form, Organization or Ownership of LUK-MB1 from that described in the section of the Limited Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – The Market Common Developers and Key Development Team Members – LUK-MB1":

None

2. Status of Completion, including material changes to the plan of completion, of each of the following:

- a. Phase I of the Market Common Development and related improvements described in the sections of the Limited Offering Memorandum entitled “THE MARKET COMMON DEVELOPMENT AND MARKET COMMON DEVELOPERS – The Market Common Development” and “Phase I”:

Since the date of closing on the Series 2006A Bonds, two (2) amendments to the Master Plan for the Market Common, Myrtle Beach (the “Original Master Plan”) have been adopted by the City and two (2) additional amendments to the Original Master Plan have been presented to the City of Myrtle Beach for consideration. More specifically, as previously disclosed, during the first quarter of 2007, an amendment to the Original Master Plan was adopted by Ordinance No. 2007-12, which amendment re-aligned the number of parking spaces previously set forth in the Master Plan for Market Common, Myrtle Beach, to match the residential, retail and commercial need disclosed in the Limited Offering Memorandum for Phase I (the “First Amended Master Plan”). Subsequently, during the third quarter of 2007, an amendment to the First Amended Master Plan was adopted by the Myrtle Beach City Council on July 10, 2007 by Ordinance No. 2007-41, which amendment allowed, in part, for the following changes to Phase I as set out in the Original Master Plan: the construction of several additional parking spaces and the removal of approximately 7,000 square feet of retail/office space from that provided for in the Original Master Plan. This reduction in retail/office space reflected the substitution by LUK-MB1 of a three story office-only building on a smaller footprint for the originally contemplated two story retail/office building, reducing the total square feet of that building to approximately 42,878 square feet (the Original Master Plan, as amended through July 10, 2007 as described in this paragraph, the “Second Amended Master Plan”).

Construction of the Phase I private vertical improvements continues to progress according to schedule. As of December 31, 2007, foundation and footing permits had been obtained for a total of ten (10) buildings. As of December 31, 2007, shell/building permits had been issued for eighteen (18) buildings, including one (1) for Market Common Cinema, LLC (“MCC”), one (1) for P.F. Chang’s China Bistro, Inc. (“PF Changs”), which are both completing the construction of their own buildings and tenant improvements, and one (1) for Piggly Wiggly Holdings, LLC (“Piggly Wiggly”). LUK-MB1 does not anticipate needing any additional shell/building permits for Phase I. LUK-MB1 mistakenly reported in the Developer’s Continuing Disclosure Statement as of September 30, 2007, that fifteen (15) permits had been issued, however, only thirteen (13) had been issued by September 30, 2007. Further, it was reported that at the end of that quarter that six (6) additional permits would be needed for Phase I. Five (5) additional permits were obtained in the fourth quarter of 2007 and one (1) of the six (6) that was projected to be required as of

September 30, 2007, is likely to be deemed no longer necessary to obtain. LUK-MB1 intends to submit an additional Master Plan Amendment in the first quarter of 2008 which will seek to modify the landscaping plan to, among other things, remove a pavilion from Valor Memorial Gardens. If this amendment is approved, a building permit for the removed pavilion will be no longer be required. Residential upfit permits had been received for seven (7) buildings in Phase I. As of December 31, 2007, LUK-MB1 did not anticipate needing any additional residential upfit permits.

The issuance of all of the above referenced permits, together with the substantial completion of the pad grading for Phase I, has allowed the footings and foundation work and other additional vertical work for these buildings to progress according to schedule. Site civil permits have been issued; as a result, pad grading and preparation of the pads to be delivered to tenants completing the construction of their own buildings is progressing in a timely manner as required by their leases. As of December 31, 2007, LUK-MB1 had delivered retail spaces to eighty percent (80%) of the tenants that have executed leases (the "Tenants"). Developer expects to complete delivery of the remaining retail spaces to Tenants during the first quarter of 2008.

A contract was previously executed with Bovis Lend Lease ("Bovis") to complete the vertical construction of various retail buildings within Phase I. In October 2007, a change order to this existing contract with Bovis was executed, which change order authorized Bovis to complete the vertical construction of an additional building contemplated by the Original Master Plan in Phase I. Concurrently, a permit application was submitted and a shell/building permit was issued by the City on October 26, 2007, as referenced above. Construction of the vertical improvements began after the issuance of the permit and is progressing according to schedule.

A contract for the building of R2A was awarded to Hay Construction Company on September 13, 2007. A footing permit was issued by the City on September 14, 2007. Footing and foundation work commenced on September 14, 2007. A shell/building permit was received in October 2007, as referenced above. Construction of vertical improvements began after the issuance of the permit and is progressing according to schedule.

The contracts for additional retail buildings were awarded to Mashburn Construction in November 2007. Additionally, a permit application was submitted and a shell/building permit was issued in October 2007, as referenced above. Construction of vertical improvements began after the issuance of the permit and is progressing according to schedule.

Based on the contracts awarded to date and updated budget projections, as of December 31, 2007, LUK-MB1 expected that the total cost of the Phase I private vertical improvements to be built by LUK-MB1 will be \$149,585,713 (exclusive of land acquisition costs) and that equity in the aggregate amount of \$37,116,543 will be required to complete the construction of such private vertical improvements, in addition to

\$114,000,000 in proceeds of the Phase I Loans. As of December 31, 2007, all of this projected required equity amount had been expended on costs of the Phase I private vertical improvements to be built by LUK-MB1 as well as \$19,000,000 in proceeds of the Mezzanine Loan and \$27,790,957 in proceeds of the Senior Loan.

- b. 2006 Redevelopment Projects to be financed, in part, with proceeds of the Bonds, as described in the Limited Offering Memorandum:

There have been no material changes to the development plan for the Phase I 2006 Redevelopment Projects. The contractors have completed site and utility demolition, water and wastewater collection relocation, storm drainage relocation, asphalt paving removal, concrete sidewalk removal, and building demolition, and substantially completed site relocations. The work to be performed in connection with roadways, parking structures, surface parking lots, landscaping, irrigation, sidewalks, site electric, water features, pergolas and other sitework elements has commenced and are progressing according to schedule as more specifically set forth below.. The process of delivering and dedicating these public areas to the City of Myrtle Beach is progressing.

The Phase I landscaping package, including, but not limited to, landscaping, irrigation, electrical, water features, structures and pergolas, site furnishings, masonry screen walls and sidewalks, was approved by the City and the majority of the contracts associated with this work were awarded in the third and fourth quarters of 2007, with the remaining contracts to be awarded during the first quarter of 2008. The landscaping work is progressing according to schedule

The contract for the vertical work in connection with the parking garage known as P1 was executed during the first quarter of 2007, the precast and structural drawings for this garage were approved by the City during the second quarter of 2007 and vertical construction began in the first quarter of 2007 and is progressing according to schedule.

Vertical construction of the garage known as P2 commenced during the third quarter of 2007 and is progressing according to schedule. The permits for the surface parking lots were issued during the third quarter of 2006. As of December 31, 2007, the first asphalt lifts are completed and all lights and islands have been installed. LUK-MB1 expects to complete the final lifts of asphalt and striping of the surface parking lots during the first quarter of 2008. Additionally, approval by the City of design drawings and equipment schedules for the Phase I traffic signals was obtained during the fourth quarter of 2007 and the installation commenced. The installation of traffic signals is expected to be completed during the first quarter of 2008.

A contract for the construction of a pavilion in Valor Memorial Garden was being negotiated at the end of the fourth quarter of 2007. As indicated above, the proposed removal of the pavilion is expected to be

included in a request for a Master Plan Amendment to be filed in the first quarter of 2008.

As of December 31, 2007, based on the contracts awarded to such date, LUK-MB1 continued to believe that the previously-disclosed aggregate increase of \$1,267,237 in the projected cost of Phase I 2006 Redevelopment Projects against the estimate therefor contained in the Limited Offering Memorandum remained accurate; the aggregate anticipated cost of the 2006 Redevelopment Projects remained \$38,381,024. However, as construction continues and additional contracts are awarded, the projected cost of either the Phase I 2006 Redevelopment Projects or the 2006 Redevelopment Projects as a whole may change.

3. Status of Phase I of the Market Common Development:

a. Statement of Whether Ownership of any Phase I Parcel has Changed:

There have been no changes in the ownership of any parcel in Phase I of the Market Common Development.

b. Information regarding the Issuance of any Building Permit for any parcel in Phase I of the Market Common Development:

As of December 31, 2007, all required Phase I site, demolition and relocation permits were obtained. Foundation and footing permits have been obtained for a total of ten (10) buildings. As of December 31, 2007, shell/building permits had been issued for eighteen (18) buildings, including, but not limited to, the parking garages known as P1 and P2, and residential upfit permits had been received for seven (7) buildings, as further described in Item 2a above. LUK-MB1 does not anticipate needing any additional shell/building permits for Phase I. Construction by LUK-MB1 of the portions of each of the Phase I buildings, except tenant spaces that LUK-MB1 is not obligated to build (as more fully set forth below), continues.

Pursuant to the terms of the leases between LUK-MB1 and PF Changs and MCC, respectively, LUK-MB1 is obligated to deliver to these Tenants a land parcel and building pad with coordinated utility services, on which these Tenants will construct the vertical improvements. The pads have been certified after being tested for and passing moisture and compaction requirements. LUK-MB1 delivered a completed pad to MCC in June 2007 and delivered a completed pad to PF Changs in the fourth quarter of 2007. Both Tenants have obtained building permits. Construction by MCC commenced during the second quarter of 2007, and construction by PF Changs commenced in October 2007.

LUK-MB1 has delivered eighty percent (80%) of the retail spaces within the buildings it is constructing as part of Phase I to Tenants, with the remainder of said leased spaces to be delivered to Tenants during the first quarter of 2008. The terms of the Tenant leases vary in terms of the nature of the space to be delivered by LUK-MB1 (i.e. shell space, more complete

fit-out); the balance of any finishing of space will be completed by the tenants. The cost of the buildings to be constructed by PF Changs and MCC, the design costs incurred by Piggly Wiggly, and the costs of tenant fit-out for the other Tenants are not included in the projected cost figures for the Phase I vertical improvements in Item 1a above.

c. Status of Approvals for Phase I of the Market Common Development:

There have been no changes to the approvals for such portions of the Market Common Site as described in the following section of the Limited Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – Zoning and Governmental Approvals" other than the pending Amendments described herein.

On August 31, 2007, the Developers submitted a third amendment to the Master Plan for the Market Common, Myrtle Beach (the "Proposed Third Amendment"). Additionally, the Developers submitted a fourth amendment to the Master Plan for the Market Common, Myrtle Beach on September 21, 2007, revised on October 19, 2007 (the "Proposed Fourth Amendment"). On October 23, 2007, the Proposed Third Amendment was adopted by Ordinance No. 2007-67. On November 13, 2007, the Proposed Fourth Amendment was adopted by Ordinance No. 2007-72. Neither the Proposed Third Amendment nor the Proposed Fourth Amendment, as adopted, result in any changes to Phase I that would be in addition to the changes imposed as a result of the Second Amended Master Plan.

4. Statement of Zoning Classification Changes:

There have been no zoning classification changes for any parcel within Phase I of the Market Common Development.

5. Leasing, Contract and Closed Sale Information Regarding Phase I of the Market Common Development:

a. Commercial and Retail Leasing Status:

The estimated total retail, commercial and office rentable space of Phase I (the "Aggregate Rentable Square Footage") within the Market Common Development is approximately 386,273 square feet. As construction of Phase I continues, the Aggregate Rentable Square Footage may change. Retail, commercial and office leasing activity remains strong and is encompassing a broad tenant mix.

As of December 31, 2007, LUK-MB1 had executed leases with Tenants for approximately 77.50% of the Aggregate Rentable Square Footage. Additionally, as of December 31, 2007, LUK-MB1 had executed letters of intent with prospective retail, commercial or office tenants which would account for an additional approximately 6.40% of the Aggregate Rental Square Footage. Including letter of intent negotiations, as of December

31, 2007, the status of retail, office and commercial leasing and lease negotiations (expressed as percentages of Aggregate Rentable Square Footage) can be summarized as follows:

|                                                                  |        |
|------------------------------------------------------------------|--------|
| Leases executed:                                                 | 77.50% |
| Executed letters of intent:                                      | 6.40%  |
| Letter of intent negotiations:                                   | 7.06%  |
| Total Aggregate Rentable Square Footage committed:               | 90.96% |
| Total percentage of remaining Aggregate Rentable Square Footage: | 9.04%  |

As of December 31, 2007, LUK-MB1 held executed leases from the following Tenants for the Phase I retail or commercial areas:

| Tenant Name                                   | Trade Name/Manager        | Type of Use      | Approximate Rentable Square Footage <sup>1</sup> |
|-----------------------------------------------|---------------------------|------------------|--------------------------------------------------|
| Ann Taylor Retail, Inc.                       | Ann Taylor                | Specialty Retail | 4,495                                            |
| Anthropologie, Inc. <sup>2</sup>              | Anthropologie             | Fashion Retail   | 12,000                                           |
| Bag N' Baggage, Ltd. <sup>3</sup>             | Bag N' Baggage            | Fashion Retail   | 2,855                                            |
| Banana Republic, LLC                          | Banana Republic           | Fashion Retail   | 8,000                                            |
| Barnes & Noble Booksellers, Inc. <sup>3</sup> | Barnes & Noble            | Books & Music    | 28,233                                           |
| Bath and Body Works, LLC <sup>3</sup>         | Bath and Body Works       | Specialty Retail | 3,567                                            |
| Big River Breweries, Inc.                     | Gordon Biersch            | Restaurant/Bar   | 8,846                                            |
| Blue Mer, Inc.                                | Blue Mer                  | Specialty Retail | 2,693                                            |
| Ferdon Brothers, Inc.                         | Booty Outdoor Wear        | Specialty Retail | 2,200                                            |
| Carlyle & Co. of Montgomery                   | Carlyle & Co.             | Specialty Retail | 2,750                                            |
| Chico's FAS, Inc.                             | Chico's                   | Fashion Retail   | 4,432                                            |
| Coldstone Creamery Leasing Company, Inc.      | Cold Stone Creamery       | Restaurant       | 1,300                                            |
| Coldwater Creek, Inc.                         | Coldwater Creek           | Fashion Retail   | 5,966                                            |
| Divine Dining Group, Inc.                     | Divine Steakhouse         | Restaurant/Bar   | 7,782                                            |
| Divine Dining Group, Inc.                     | Ultimate California Pizza | Restaurant/Bar   | 3,801                                            |
| Handpicked, Inc.                              | Handpicked                | Specialty Retail | 1,558                                            |
| Izzy-B, LLC                                   | Izzy B                    | Fashion Retail   | 1,809                                            |
| Jake and Company, Inc.                        | Jake and Company          | Specialty Retail | 2,042                                            |
| JUGO Juice                                    | JUGO Juice                | Fashion Retail   | 1,079                                            |
| Justice Stores, LLC                           | Justice                   | Specialty Retail | 4,162                                            |
| LUK-MB1, LLC <sup>3</sup>                     | Management Office         | Service          | 3,328                                            |
| LUK-MB1, LLC                                  | Leasing Office            | Service          | 2,995                                            |
| LUK-MB1, LLC                                  | Sales Office              | Service          | 6,921                                            |

<sup>1</sup> As the retail and commercial components of Phase I of the Market Common Development are constructed, either the Aggregate Rentable Square Footage or the individual rentable square footage amounts listed in the chart above may change.

<sup>2</sup> The dispute between LUK-MB1 and Anthropologie, Inc. ("Anthropologie") that was referenced in the Developer's Continuing Disclosure Statement for the third quarter of 2007 has been resolved favorably.

<sup>3</sup> Since September 30, 2007, Bag & Baggage, Ltd. has increased the square footage being leased by 2 square feet (from 2,853 to 2,855), Barnes & Noble Booksellers, Inc. has increased the square footage being leased by 233 square feet (from 28,000 to 28,233), Bath & Body Works, LLC has increased the square footage being leased by 12 square feet (from 3,555 to 3,567), and LUK-MB1, LLC, decreased the square footage being leased for the management office by 4 square feet (from 3,324 to 3,328).

| Tenant Name                                   | Trade Name/Manager           | Type of Use      | Approximate Rentable Square Footage <sup>1</sup> |
|-----------------------------------------------|------------------------------|------------------|--------------------------------------------------|
| Market Common Cinema, LLC                     | Consolidated Theaters        | Theaters         | 51,941                                           |
| Nexsen Pruett                                 | Nexsen Pruett                | Service          | 5,787                                            |
| P&F, Inc.                                     | Copper Penny                 | Fashion Retail   | 1,901                                            |
| P&F, Inc.                                     | Copper Penny Shooz           | Fashion Retail   | 1,584                                            |
| P.F. Chang's China Bistro, Inc.               | PF Chang's China Bistro      | Restaurant/Bar   | 6,600                                            |
| Piggly Wiggly Holdings, LLC                   | Piggly Wiggly                | Grocery          | 43,765                                           |
| Retail Brand Alliance, Inc.                   | Brooks Brothers Country Club | Fashion Retail   | 2,225                                            |
| Soma by Chico's, LLC                          | Soma by Chico's              | Fashion Retail   | 2,617                                            |
| Sunglass Hut Trading Corporation              | Luxotica                     | Specialty Retail | 900                                              |
| TGC Enterprises, Inc.                         | Planet Beach Tanning Spa     | Specialty Retail | 1,843                                            |
| Victoria's Secret Stores, LLC                 | Victoria's Secret            | Specialty Retail | 7,968                                            |
| The Orvis Company                             | Orvis Sports                 | Specialty Retail | 10,198                                           |
| Tommy Bahama R&R Holdings, Inc.               | Tommy Bahama's               | Specialty Retail | 12,458                                           |
| Toy Isle LLC                                  | Toy Isle                     | Specialty Retail | 2,000                                            |
| Travinia Italian Kitchen at Myrtle Beach, LLC | Travinia Italian Kitchen     | Specialty Retail | 6,357                                            |
| White House Black Market, Inc.                | White House Black Market     | Fashion Retail   | 3,000                                            |
| Williams-Sonoma Stores, Inc.                  | Williams Sonoma              | Specialty Retail | 6,000                                            |
| Williams-Sonoma Stores, Inc.                  | Pottery Barn                 | Fashion Retail   | 12,389                                           |
| Withers Preserve Management Company, LLC      | RWO Sales Center             | Specialty Retail | 1,505                                            |
| X treme Surf Company, LLC                     | X treme Surf and Skate       | Specialty Retail | 1,311                                            |

b. Residential Leasing:

Planning and marketing for residential leasing has begun and reservations of units have been taken. Receipt of executed leases is not expected until the beginning of the second quarter of 2008, with first occupancy expected at the end that quarter. The number of projected residential units has not changed.

c. Lots Under Contract and Closed Sales:

No lots or parcels within Phase I of the Market Common Development are under contract and no sale transactions have been closed within Phase I.

d. Status of any Phase I Private Vertical Development Activity:

As of December 31, 2007, LUK-MB1 was conducting all ongoing Phase I private development activity. For additional information, see the response to Item 1 above.

6. Legislative, Administrative or Judicial Challenges:

To the actual knowledge of LUK-MB1, as of December 31, 2007, there had been no legislative, administrative or judicial challenges to the construction of Phase I of the Market Common Development or the validity of the duly recorded plat or other public approvals.



7. Notice of Default in Construction Loan:

As of December 31, 2007, LUK-MB1 had not received formal written notice of its default under any construction loan that finances any part of the Market Common Development.

8. Modification of Development Agreement, the Infrastructure Purchase Agreement and the TIF Agreement:

As of December 31, 2007, there had been no material amendments or supplements to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

9. Statement of Default under the Development Agreement, the Infrastructure Purchase Agreement, and the TIF Agreement:

As of December 31, 2007, LUK-MB1 had not been informed of any default with respect to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

10. Statement Regarding 2006B Bonds:

a. Amount Drawn under the 2006B Bond Purchase Agreement:

As of December 31, 2007, the total amount drawn under the 2006B Bond Purchase Agreement was \$3,441,707, which amount was drawn in full by LUK-MB2. As of December 31, 2007, LUK-MB1 had not drawn under the 2006B Bond Purchase Agreement.

b. Default by City or Bond Purchaser under the 2006B Bond Purchase Agreement:

As of December 31, 2007, LUK-MB1 had not been informed of any default by the City or the bond purchaser under the 2006B Bond Purchase Agreement.

c. Circumstances Materially Adversely Affecting the Making of Further Draws under the 2006B Bond Purchase Agreement:

To the best knowledge of LUK-MB1, there are not any circumstances which, with the passage of time, would materially adversely affect the making of further draws under the 2006B Bond Purchase Agreement in the future.

**LUK-MB2, LLC REPORT AS OF DECEMBER 31, 2007**

1. Material Change in Form, Organization or Ownership of LUK-MB2 from that described in the section of the Limited Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – The Market Common Developers and Key Development Team Members – LUK-MB2":

None

2. Status of Completion, including material changes to the plan of completion, of each of the following:

- a. Phase II of the Market Common Development and related improvements described in the sections of the Limited Offering Memorandum entitled “THE MARKET COMMON DEVELOPMENT AND MARKET COMMON DEVELOPERS – The Market Common Development” and “Phase II”:

As described in Part I, Item 1a above, since the date of closing on the Series 2006A Bonds, there have been several approved amendments to the Master Plan for the Market Common, Myrtle Beach (the “Original Master Plan”). During the third quarter of 2007, an amendment was adopted by the Myrtle Beach City Council on July 10, 2007 by Ordinance No. 2007-41, which amendment allowed, in part, for the following changes from the Original Master Plan in relation to Phase II: a further increase in the number of townhomes by 60 units, resulting in a cumulative increase of 39 units from the 866 units projected in the Limited Offering Memorandum to 905 units (the Original Master Plan, as amended through July 10, 2007, the “Second Amended Master Plan”). Approval of the Second Amended Master Plan also allowed for a decrease in retail/commercial office space in Phase II from the approximately 34,700 rentable square feet set forth in the Limited Offering Memorandum to approximately 10,400 rentable square feet. Finally, the Second Amended Master Plan incorporates changes to parking to support both the increase in the residential and decrease in the retail components of the Phase II vertical development, including the removal of two (2) public parking lots and increasing the number of residential parking spaces.

As also described under Item 3c below, during the fourth quarter of 2007, the Proposed Third Amendment was adopted by the Myrtle Beach City Council on October 23, 2007, by Ordinance No. 2007-67 (the Second Amended Master Plan, as amended by the Proposed Third Amendment, as adopted, the “Third Amended Master Plan”). The Third Amended Master Plan reduced the number of condominium buildings in tract C-5/R-6 from four (4) to three (3) buildings by combining two (2) four-story condominium buildings into a single five-story building without reducing the total number of condominium units. The Third Amended Master Plan also reflects a further decrease in the number of townhomes by six (6) units, resulting in an overall reduction in townhome units from 905 to 899 units. In the Developer’s Continuing Disclosure Statement for the third quarter of 2007, it was mistakenly reported that if approved, the Proposed Third Amendment would result in a reduction from 994 townhome units to 988 units.

Further described under Item 3c below, during the fourth quarter of 2007, the Proposed Fourth Amendment was adopted by the Myrtle Beach City Council on November 13, 2007, by Ordinance No. 2007-72 (the Third

Amended Master Plan, as amended by the Proposed Fourth Amendment, as adopted, the “Fourth Amended Master Plan”). The Fourth Amended Master Plan reflects the removal of two (2) condominium buildings containing 100 total units from tract R-1 and four (4) condominium buildings containing 200 total units from tract R-8 resulting in the reduction of the total number of condominium units from 580 to 280. The Fourth Amended Master Plan also allows for an addition of 22 luxury townhome units in tract R-1, addition of 50 luxury townhome units in tract R-8, and removal of 166 “parked under” townhomes and addition of 95 “garden” townhome units in tract R-12 resulting in an increase in the total number of townhome units from 899 as provided in the Third Amended Master Plan to 900 units. Additionally, the Fourth Amended Master Plan allows for the decrease in 207 parking spaces related to the decrease in the number of condominium units. Lastly, it allows for a roadway connection to be built.

The following tables shows the totals of Phase II housing units, and associated parking spaces subsequent to the adoption of both the Third Amended and the Fourth Amended Master Plans as compared to the projected housing units in the Second Amended Master Plan:

| Type of Unit | After Adoption of the Third and Fourth Amended Master Plans | Second Amended Master Plan |
|--------------|-------------------------------------------------------------|----------------------------|
| Townhomes    | 900                                                         | 905                        |
| Condominiums | 280                                                         | 580                        |

.With regard to the Phase II North Parcels (which include Parcels 201 through 239), a contract for the horizontal work for tract R-6 (Parcels 204, 205, 206 & 207) was negotiated with Weaver Corporation, Inc. (“Weaver”) during the fourth quarter of 2007 and is expected to be executed during the first quarter of 2008 with work to commence and be substantially completed during the same quarter.

The horizontal work on tract R-5/C-3 (Parcels 222, 223, 224 & 225), which tract is being sold in phases to Market Commons Townhomes, Inc. (“MCTI”) (assignee of the Dock Street Agreement from MCTC), was substantially completed during the fourth quarter of 2007.

Civil design for tract R-1(Parcel 239) commenced during the fourth quarter of 2007 and is expected to be completed and submitted to DHEC in the first quarter of 2008.

None of the other anticipated private horizontal improvement work has begun in the Phase II North Parcels.

With regard to the Phase II South Parcels (which include Parcels 240 through 273), the horizontal improvement work is substantially complete for tract R-11, a 3.065 acre tract, which tract is being sold in phases to MCTI.

Civil design for tract R-8 (Parcel 255) was completed during the fourth quarter of 2007 and approvals are expected during the first quarter of 2008. Civil design for tract R-12 (Parcels 259, 260, 261 & 262) commenced during the fourth quarter of 2007 and is expected to be completed and submitted in the first quarter of 2008.

None of the other anticipated private horizontal improvement work has begun for the Phase II South Parcels.

As of December 31, 2007, LUK-MB2 did not anticipate any material change in the projected private costs of Phase II to be funded by LUK-MB2. As construction continues and additional contracts awarded, the projected private costs of Phase II may change.

- b. 2006 Redevelopment Projects to be financed, in part, with proceeds of the Bonds as described in the Limited Offering Memorandum:

As of December 31, 2007, the development plan for the Phase II 2006 Redevelopment Projects has not changed since the adoption of the Second Amended Master Plan which resulted in the removal of two surface parking lots comprising part of the Phase II 2006 Redevelopment Projects.

The Phase II North site work - which includes Iris Avenue (now known as Iris Street ["Iris"]), England Street (now known as Hendrick Avenue ["Hendrick"]) and Gunnery Street (now known as Carlson Lane ["Carlson"]), portions of Wainwright Avenue (now known as Johnson Street ["Johnson"], Howard Avenue, Hackler Street), in each case including, but not limited to, sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures is substantially completed. The process of delivering and dedicating these public streets to the City of Myrtle Beach is expected to be completed during the first quarter of 2008.

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 R-6 (Parcels 204, 205, 206 & 207), was negotiated with Weaver during the fourth quarter of 2007 and is expected to be executed during the first quarter of 2008. Further, a contract for installation of sanitary sewer, storm sewer, water lines and road work for tract R-5/C-3 (Parcels 222, 223, 224 & 225), was awarded to Weaver during the fourth quarter of 2007. This work was substantially completed in the fourth quarter of 2007.

With regard to the Phase II South A site work - which includes portions of Forrester Street (now known as Murray Avenue ["Murray"]), portions of Tillman Street (now known as Pancho Street ["Pancho"]) and portions of Johnson Avenue, and Kruzal Street), in each case including, but not limited to, sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures is substantially completed. The

process of delivering and dedicating these public streets to the City of Myrtle Beach is expected to be completed during the first quarter of 2008.

With regard to the Phase II South parcels (which include Parcels 240 through 273), no additional contracts were awarded during the fourth quarter of 2007.

With regard to the Phase II South B, C and D site work (which includes all roads in Phase II South but not those included in Phase II South A), a contract was awarded to Weaver during the fourth quarter of 2007 and construction will commence in the first quarter of 2008.

As of December 31, 2007, based on the contracts awarded to such date and without regard to the proposed Amendments, LUK-MB2 continues to anticipate a decrease of \$2,003,830 in the projected cost of the Phase II 2006 Redevelopment Projects against the estimate therefor contained in the Limited Offering Memorandum. As construction continues and additional contracts awarded, the projected cost of the Phase II 2006 Redevelopment Projects may change.

3. Status of Phase II of the Market Common Development:

a. Statement of Whether Ownership of any Phase II Parcel has Changed:

There have been no changes in the ownership of any parcel within Phase II of the Market Common Development, except for the dispositions described below in Item 5a.

b. Information regarding the Issuance of any Building Permit for any parcel in Phase II of the Market Common Development:

Site civil permits were obtained in the fourth quarter of 2006 for (i) the Phase II North site work, including, but not limited to, sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures (which includes Iris, Hendrick and Carlson, portions of Johnson, Howard Avenue, Hackler Street), and (ii) the Phase II South site work, including, but not limited to, sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures (which includes portions of Murray, portions of Pancho, portions of Johnson, and Kruzel Street). Additionally, during the same quarter, site permits were obtained for the Phase II site work for tract R-11 (see above for description of tract R-11). During the second quarter of 2007, site permits were obtained for the Phase II site work for tracts R-4 and C-5 (see descriptions above). During the third quarter of 2007, site permits were obtained for the Phase II site work for tracts R-6 and R-5. There have been no additional permits obtained during the fourth quarter of 2007.

c. Status of Approvals for Phase II of the Market Common Development:

There have been no changes to the approvals for such portions of the Market Common Site as described in the following section of the Limited Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – Zoning and Governmental Approvals", other than the approval of the Third Amended Master Plan and Fourth Amended Master Plan by the Myrtle Beach City Council as described in Item 2 above which resulted in changes in the development plan for Phase II of the Market Common Development.

4. Statement of Zoning Classification Changes:

There have been no zoning classification changes for any parcel within Phase II of the Market Common Development.

5. Contracts and Closed Sales:

a. Lots or Parcels under Contract and Closed Sales:

Set out below is updated information, as of December 31, 2007, with respect to all 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. Certain of these items were inadvertently excluded from prior Developer's Continuing Disclosure Statements.

On May 30, 2007, LUK-MB2 closed on the sale of Lots 1 through 25 in tract R-4 (Parcels 209, 211 & 212) to MCTI. LUK-MB2 has substantially completed its development obligations regarding these lots.

On October 29, 2007, LUK-MB2 closed on the sale of Lots 26 through 40 in tract R-4 (Parcels 209, 211 & 212) to MCTI. LUK-MB2 has substantially completed its development obligations regarding these lots.

On November 13, 2007, LUK-MB2 closed on the sale of Lots 41 through 54 in tract R-4 (Parcels 209, 211 & 212) to MCTI. LUK-MB2 has substantially completed its development obligations regarding these lots.

As previously disclosed, on March 28, 2007, LUK-MB2 entered into a Purchase and Sale Agreement (the "MBGH Purchase Contract") with Myrtle Beach Golf Holiday, Inc. ("MBGH"), the owner of a 1.614 piece of property (the "MBGH Property"), to purchase the said property. According to the MBGH Purchase Contract, the closing on the purchase of the MBGH Property must occur between January 1, 2008, and April 1, 2009. As of December 31, 2007, LUK-MB2 continued to expect to close on the purchase of the MBGH Property in January 2008. Pursuant to the Fourth Amended Master Plan, the MBGH Property is approved for 50 townhomes.

b. Status of any Phase II Vertical Development Activity:

As of December 31, 2007, LUK-MB2 did not plan to do any vertical improvements in Phase II of the Market Common Development.

6. Legislative, Administrative or Judicial Challenges:

To the actual knowledge of LUK-MB2, as of December 31, 2007, there had been no legislative, administrative or judicial challenges to the construction of Phase II of the Market Common Development or the validity of the duly recorded plan or other public approvals.

7. Notice of Default in Construction Loan:

As of December 31, 2007, LUK-MB2 had not received formal written notice of its default under any construction loan that finances any part of the Market Common Development. LUK-MB2 is not party to any construction loan financing for any part of the Market Common Development.

8. Modification of Development Agreement, Infrastructure Purchase Agreement or TIF Agreement:

As of December 31, 2007, there had been no material amendments or supplements to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

9. Statement of Default under the Development Agreement, the Infrastructure Purchase Agreement, and the TIF Agreement:

As of December 31, 2007, LUK-MB2 had not been informed of any default with respect to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

10. Statement Regarding 2006B Bonds:

a. Amount Drawn under the 2006B Bond Purchase Agreement:

As of December 31, 2007, the total amount drawn under the 2006B Bond Purchase Agreement was \$3,441,707, which amount was drawn in full by LUK-MB2. As of December 31, 2007, LUK-MB1 had not drawn under the 2006B Bond Purchase Agreement.

b. Default by City or Bond Purchaser under the 2006B Bond Purchase Agreement:

As of December 31, 2007, LUK-MB2 had not been informed of any default by the City or the bond purchaser under the 2006B Bond Purchase Agreement.

c. Circumstances Materially Adversely Affecting the Making of Further Draws under the 2006B Bond Purchase Agreement:

To the best knowledge of LUK-MB2, there are not any circumstances which, with the passage of time, would materially adversely affect the making of further draws under the 2006B Bond Purchase Agreement in the future.

**LUK-MB5, LLC REPORT AS OF DECEMBER 31, 2007**

1. Material Change in Form, Organization or Ownership of the LUK-MB5 from that described in the section of the Limited Offering Memorandum: “THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – The Market Common Developers and Key Development Team Members – LUK-MB5”:

None

2. Status of Completion, including material changes to the plan of completion, of each of the following:

- a. Phase IA of the Market Common Development and related improvements described in the sections of the Limited Offering Memorandum entitled “THE MARKET COMMON DEVELOPMENT AND MARKET COMMON DEVELOPERS – The Market Common Development” and “Phase IA”:

Although, as described above in Part I, Item 2a above, the Second Master Plan has been amended twice, on October 23, 2007, by Ordinance No. 2007-67 and on November 13, 2007, by Ordinance No. 2007-72, neither amendment resulted in any changes to Phase IA.

Construction has not begun on Phase IA. However, LUK-MB5 has prepared a site plan for Phase IA. As of December 31, 2007, this site plan was consistent with the development plan for Phase IA set out in the Limited Offering Memorandum, except to the extent that the site plan includes approximately 181,000 rentable square feet of space, an increase of 6,000 rentable square feet over the figure set out in the Limited Offering Memorandum. The rentable square footage of Phase IA will likely continue to change depending on market opportunities and conditions.

- b. 2006 Redevelopment Projects to be financed, in part, with proceeds of the Bonds as described in the Limited Offering Memorandum:

There have been no material changes to the development plan for the Phase IA 2006 Redevelopment Projects. Construction of Phase IA 2006 Redevelopment Projects has not begun.

As of December 31, 2007, LUK-MB5 did not anticipate any material change in the projected cost of the Phase IA 2006 Redevelopment Projects.



3. Status of Phase IA of the Market Common Development:
  - a. Statement of Whether Ownership of any Phase IA Parcel has Changed:

There have been no changes in the ownership of any parcel in Phase IA of the Market Common Development.
  - b. Information Regarding the Issuance of any Building Permit for any parcel in Phase IA of the Market Common Development:

LUK-MB5 has not sought or received any permits for Phase IA.
  - c. Status of Approvals for Phase IA of the Market Common Development:

There have been no changes to the approvals for such portions of the Market Common Site as described in the following section of the Limited Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – Zoning and Governmental Approvals", other than the amendments to the Second Amended Master Plan described above.
4. Statement of Zoning Classification Changes:

There have been no zoning classification changes for any parcel within Phase IA of the Market Common Development.
5. Leasing, Contracts and Closed Sales:
  - a. Retail Commercial or Residential Leasing Status:

As indicated in the Limited Offering Memorandum, commencement of Phase IA is not scheduled to occur until on or about the third quarter of 2008 and is largely driven by demand from third parties and by the success of Phases I and II of the Market Common Development (including, in particular, the achievement of substantial lease-up of the Phase I commercial and retail areas). As of December 31, 2007, LUK-MB5 had begun marketing Phase IA to retailers; however, during the fourth quarter of 2007 there have not been any letters of intent or leases executed for Phase IA of the Market Common Development
  - b. Lots Under Contract and Closed Sales:

No lots or parcels within Phase IA are under contract and no sale transactions have been closed within Phase IA.
  - c. Status of any Phase IA Vertical Development Activity:

As indicated in Item 5a, as of December 31, 2007, commencement of Phase IA was not anticipated to occur until on or about the third quarter of

2008. Market conditions and opportunities will dictate whether LUK-MB5 will conduct any vertical development in Phase IA.

6. Legislative, Administrative or Judicial Challenges:

To the actual knowledge of LUK-MB5, there have been no legislative, administrative or judicial challenges to the construction of Phase IA of the Market Common Development or the validity of the duly recorded plan or other public approvals.

7. Notice of Default in Construction Loan:

LUK-MB5 has not received formal written notice of its default under any construction loan that finances any part of the Market Common Development. LUK-MB5 is not party to any construction loan financing any part of the Market Common Development.

**PART III - SIGNIFICANT EVENTS**

None of LUK-MB1, LUK-MB2, or LUK-MB5 has actual knowledge of the occurrence of any Significant Event, as described in Section 5 of the Agreement.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, we have hereunto set our hands as of this \_\_\_\_\_<sup>th</sup>  
day of February, 2008.

With respect to the Part I Periodic Report of LUK-MB1, LLC and Part II:

**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

  
Name: Daniel T. McCaffery  
Title: Its President

With respect to the Part I Periodic Report of LUK-MB2, LLC and Part II:

**LUK-MB2, LLC,**  
a Delaware limited liability company

By: LUK-MYRTLE BEACH, LLC,  
Its Co-Managing Member

By: LUK-MB, LLC,  
Its Manager

\_\_\_\_\_  
Name: Luis Medeiros  
Title: Its Vice President

By: McMYRTLE LLC,  
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,  
Its Manager

  
Name: Daniel T. McCaffery  
Title: Its President

**[ADDITIONAL SIGNATURE PAGE FOLLOWS]**

With respect to the Part I Periodic Report of LUK-MB5, LLC and Part II:

**LUK-MB5, LLC,**  
a Delaware limited liability company

By: **McMYRTLE LLC,**  
Its Managing Member

By: **McCAFFERY INTERESTS, INC.,**  
Its Manager



Name: Daniel T. McCaffery  
Title: Its President

**IN WITNESS WHEREOF**, we have hereunto set our hands as of this \_\_\_\_\_<sup>th</sup>  
day of February, 2008.

With respect to the Part I Periodic Report of LUK-MB1, LLC and Part II:

**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

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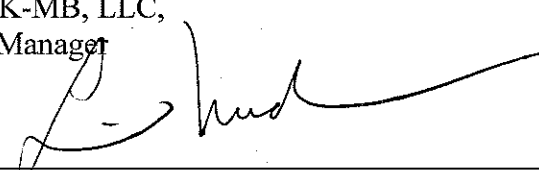
Name: Daniel T. McCaffery  
Title: Its President

With respect to the Part I Periodic Report of LUK-MB2, LLC and Part II:

**LUK-MB2, LLC,**  
a Delaware limited liability company

By: LUK-MYRTLE BEACH, LLC,  
Its Co-Managing Member

By: LUK-MB, LLC,  
Its Manager



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Name: Luis Medeiros  
Title: Its Vice President

By: McMYRTLE LLC,  
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,  
Its Manager

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Name: Daniel T. McCaffery  
Title: Its President

**[ADDITIONAL SIGNATURE PAGE FOLLOWS]**