

**\$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 March 31, 2008. 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 March 31, 2008, 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 MARCH 31, 2008**

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, five (5) amendments to the Master Plan for the Market Common, Myrtle Beach (the “Original Master Plan”) have been adopted by the City; three (3) of which have resulted in changes to Phase I. In addition to amendments adopted as disclosed in prior continuing disclosure filings by the Developers, an amendment to the Fourth Amended Master Plan (as such term was used in fourth quarter of 2007 Developers’ Continuing Disclosure Statement) was presented to the City of Myrtle Beach on January 22, 2008, as more specifically described in Section 3c below (the “Proposed Fifth Amendment”). The Proposed Fifth Amendment was adopted by the Myrtle Beach City Council on February 12, 2008, by Ordinance No. 2008-13 (the Master Plan for Market Common, Myrtle Beach, as amended through February 12, 2008, the “Fifth Amended Master Plan”).

Construction of the Phase I private vertical improvements continues to progress according to schedule. As of March 31, 2008, foundation and footing permits had been obtained for a total of ten (10) buildings. As of March 31, 2008, shell/building permits had been issued for all buildings. LUK-MB1 does not anticipate needing any additional shell/building permits for Phase I. As of March 31, 2008, temporary certificates of occupancy were received by LUK-MB1 for the Phase I buildings or vertical improvements known as P1, P2 A1, A2, A3, A4, A5, A6, A7, A8, R1A, and R1B. In addition, as of March 31, 2008, LUK-MB1 expects that temporary certificates of occupancy for all retail tenants opening for business in the second quarter of 2008 will be received no later than the beginning of the second quarter of 2008. PF Changs, Piggly Wiggly, and Market Common Cinema, LLC, received temporary certificates of occupancy during the first quarter of 2008. As of March 31, 2008, LUK-MB1 expects that certificates of occupancy for all Phase I buildings and the retailers contained therein, as well as for the residential components of Phase I, will be received in the 2<sup>nd</sup> quarter of 2008.

As of March 31, 2008, LUK-MB1 had delivered retail spaces to one hundred percent (100%) of the tenants that have executed leases (the “Tenants”).

A contract for the construction of R2A was awarded to Hay Construction Company on September 13, 2007. All necessary permits were issued by the end of the fourth quarter of 2007. Construction continues and is progressing according to schedule and is expected to be completed during the second quarter of 2008.

Based on the contracts awarded to date and updated budget projections, as of March 31, 2008, 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 \$37,014,560 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. During the first quarter of 2008, LUK-MB1 realized that there was \$101,983.00 of public costs (including the sound system, signage, and architecture) which are contained in the public budget that should have been funded as public costs, but rather were funded by private equity. As a result, private equity in the amount of \$101,983.00 was reimbursed from public funds. As of March 31, 2008, 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 \$54,778,730 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, site furnishings, masonry screen walls and sidewalks, site electric, water features, structures and pergolas, and various site amenities and other sitework elements such as playground equipment, fencing, bollards, and flagpoles is substantially completed and LUK-MB1 has completed the majority of the punchlist items. LUK-MB1 expects to meet with the project consultant for the City of Myrtle Beach during the second quarter of 2008 to review punchlist items and review and approve the Phase I 2006 Redevelopment Projects as completed. Additionally, LUK-MB1 and the City of Myrtle Beach are working together regarding the documentation required in connection with the dedication of the public spaces. As of March 31, 2008, the process of delivering and dedicating these public areas to the City of Myrtle Beach was progressing with dedication expected during the end of the second quarter or beginning of the third quarter of 2008.

As of March 31, 2008, the vertical construction of both the P1 and P2 parking garages was substantially completed. Additionally, installation of the Phase I traffic signals was completed.

As of March 31, 2008, 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, the projected cost of either the Phase I 2006 Redevelopment Projects or the 2006 Redevelopment Projects as a whole may change during the ongoing construction process and as punchlist items are identified and completed.

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 March 31, 2008, all required Phase I permits were obtained. LUK-MB1 does not anticipate needing any additional permits for Phase I. Construction by LUK-MB1 of each of the Phase I buildings, except tenant spaces that LUK-MB1 is not obligated to build (as more fully set forth below), was substantially completed.

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. Certified and completed pads have been delivered to both. As of March 31, 2008, both Tenants had substantially completed construction and obtained certificates of occupancy and expect to open for business in the second quarter of 2008.

LUK-MB1 has delivered one hundred percent (100%) of the retail spaces within the buildings it is constructing as part of Phase I to Tenants with executed leases. 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. A portion of the cost of buildings to be constructed by Piggly Wiggly and MCC, and tenant improvement allowances for PF Chang's and other Tenants are included in the projected cost figures for the Phase I vertical improvements in Item 1a above. It was inadvertently reported in prior Developer's Continuing Disclosure Statements that these costs were not included in the Phase I vertical improvement cost figures; however, they have always been included in the budget. After payment of tenant improvement allowances by LUK—MB1, the remaining costs of tenant fit out for these spaces 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 January 22, 2008, the Developers submitted a fifth amendment to the Master Plan for the Market Common, Myrtle Beach (the “Proposed Fifth Amendment”), which sought to name the Valor Memorial Gardens and remove the pavilion structure and replace it with an extension of the trellis shown on the west end of the gardens. The Proposed Fifth Amendment was adopted by the Myrtle Beach City Council on February 12, 2008, by Ordinance No. 2008-13.

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 March 31, 2008, LUK-MB1 had executed leases with Tenants for approximately 80.33% of the Aggregate Rentable Square Footage. Additionally, as of March 31, 2008, LUK-MB1 had executed letters of intent with prospective retail, commercial or office tenants which would account for an additional approximately 4.98% of the Aggregate Rental Square Footage. Including letter of intent negotiations, as of March 31, 2008, 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:   | 80.33% |
| Executed letters of intent:                                      | 4.98%  |
| Letter of intent negotiations:                                   | 4.27%  |
| Total Aggregate Rentable Square Footage committed:               | 89.58% |
| Total percentage of remaining Aggregate Rentable Square Footage: | 10.42% |

As of March 31, 2008, 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.                      | Anthropologie                | Fashion Retail   | 12,000   |
| Bag N' Baggage, Ltd.                     | Bag N' Baggage               | Fashion Retail   | 2,855  |
| Banana Republic, LLC                     | Banana Republic              | Fashion Retail   | 8,000  |
| Barnes & Noble Booksellers, Inc.         | Barnes & Noble               | Books & Music    | 28,233   |
| Bath and Body Works, LLC                 | 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  |
| Canipes                                  |                              | Specialty Retail | 986  |
| 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  |
| Cooperative Bank                         | Cooperative Bank             | Specialty Retail | 2,528  |
| Divine Dining Group, Inc. <sup>2</sup>   | Divine Prime and Roy & Sids  | Restaurant/Bar   | 7,782  |
| Divine Dining Group, Inc.                | Ultimate California Pizza    | Restaurant/Bar   | 3,801  |
| Handpicked, Inc.                         | Handpicked                   | Specialty Retail | 1,558  |
| Izzi-b, LLC <sup>3</sup>                 | Izzi-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 <sup>4</sup>         | Justice for Girls            | Specialty Retail | 4,162  |
| LUK-MB1, LLC                             | Management Office            | Service          | 3,328  |
| LUK-MB1, LLC                             | Leasing Office               | Service          | 2,995  |
| LUK-MB1,                                 | Sales Office                 | Service          | 6,921  |
| Market Common Cinema, LLC                | Consolidated Theaters        | Theaters         | 51,941   |
| Nexsen Prueett                           | Nexsen Prueett               | 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  |

<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 lease with Diving Dining Group, Inc., as drafted contemplated that there would be two restaurant concepts within this one space with the Tenant and financially responsible party being Divine Dining Group, Inc. This has not changed; only the names of the two restaurant concepts have been identified as Divine Prime and Roy & Sids.

<sup>3</sup> There has been a minor change in the name of this tenant.

<sup>4</sup> There has been a minor change in the name of this tenant.

| Tenant Name                                   | Trade Name/Manager       | Type of Use      | Approximate Rentable Square Footage <sup>1</sup> |
|---|--------------------------|------------------|--|
| TGC Enterprises, Inc. <sup>5</sup>            | 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 during 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 March 31, 2008, 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 March 31, 2008, 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.

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<sup>5</sup> The Possession Date for TGC Enterprises, Inc. for Planet Beach Contempo Spa was March 30, 2008, however, this Tenant has refused to occupy the space. As of March 31, 2008, Tenant does not occupy the space and has not paid rent as required by the terms of its lease. Landlord will pursue all of its rights and remedies under the lease and the guaranty thereof to recover all monies due and owing under the lease. Planet Beach Contempo Spa is not a required lease to satisfy any co-tenancy requirements of any of the other Tenants.

7. Notice of Default in Construction Loan:

As of March 31, 2008, 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 March 31, 2008, 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 March 31, 2008, 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 March 31, 2008, the total amount drawn under the 2006B Bond Purchase Agreement was \$4,157,571, which amount was drawn in full by LUK-MB2. As of March 31, 2008, LUK-MB1 had not drawn under the 2006B Bond Purchase Agreement; see, however, Recent Developments in Part IV below.

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

As of March 31, 2008, 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; see, however, Recent Developments in Part IV below.

**LUK-MB2, LLC REPORT AS OF MARCH 31, 2008**

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 2a 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 (as amended through March 31, 2008, the “Fifth Amended Master Plan”). The Fifth Proposed Amendment (referenced in Part I, Item 3c above), as adopted, did not result in any changes to Phase II in addition to those disclosed by LUK-MB2 in the prior Developer’s Continuing Disclosure Statements. The following table shows the totals of Phase II housing units set out in the Fifth Amended Master Plan as of March 31, 2008:

| Type of Unit | After Adoption of the First Through Fifth Amended Master Plans |
|--------------|--|
| Townhomes    | 900  |
| Condominiums | 280  |

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 was executed during the first quarter of 2008. Work commenced and was substantially completed during the first quarter of 2008, with the exception of Sharpe Lane which LUK-MB2 expects will be substantially completed during the second quarter of 2008. 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 as of March 31, 2008.

Civil design for tract R-1 (Parcel 239) commenced during the fourth quarter of 2007 and was 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 approved during the first quarter of 2008. Horizontal work is expected to commence during the second quarter of 2008.

Civil design for tract R-12 (Parcels 259, 260, 261 & 262) was 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 March 31, 2008, LUK-MB2 anticipates that as construction continues and additional contracts are awarded, there may be some change to the projected private costs of Phase II as a result of the re-design and unit composition changes to tracts R-1, R-8 and R-12 as a result of the Third and Fourth Amended Master Plans (as such terms are used in and as further described in the fourth quarter of 2007 Developers' Continuing Disclosure Statement) approved during the fourth quarter of 2008.

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

As of March 31, 2008, 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 and approved for use by DHEC. The process of delivering and dedicating these public streets and other Phase II public infrastructure to the City of Myrtle Beach has been delayed until the Phase I public infrastructure has been dedicated to the City; as such, as of March 31, 2008 the dedication of the Phase II streets was expected to be completed during the second or third 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 awarded to Weaver during the first quarter of 2008. Further, installation of sanitary sewer, storm sewer, water lines and road work for tract R-5/C-

3 (Parcels 222, 223, 224 & 225), 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 Kruzel 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 and approved for use by DHEC. The process of delivering and dedicating these public streets and other Phase II public infrastructure to the City of Myrtle Beach to the City of Myrtle Beach has been delayed until the Phase I public streets and other Phase II public infrastructure to the City of Myrtle Beach have been dedicated to the City; as such, as of March 31, 2008, the dedication of the Phase II streets is expected to be completed during the second or third quarter of 2008.

With regard to the Phase II South parcels (which include Parcels 240 through 273), no additional contracts were awarded during the first quarter of 2008.

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 commenced in the first quarter of 2008. As of March 31, 2008, LUK-MB2 expects construction to be completed in the third quarter of 2008.

As of March 31, 2008, 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:

There have been no permits in addition to those disclosed in the previous Developers' Continuing Disclosure Statements obtained during the first quarter of 2008. Site permits for the Phase II site work for tracts R-8 (see description above) and R-12 (see description above) are expected to be

received at the end of the second quarter or beginning of the third quarter of 2008.

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 Fifth 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 March 31, 2008, 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 Developers' Continuing Disclosure Statements.

On January 31, 2008, LUK-MB2 entered into an Amended and Restated Lot Sale and Option Agreement with Market Common Townhomes, Inc. ("MCTI"), successor to Market Commons Townhomes Corporation, whereby LUK-MB2 has agreed to sell MCTI seven hundred thirty-two (732) lots within Phase II of the Market Common Development for \$40,000 per lot (the "2008 MCTI Agreement"). The 2008 MCTI Agreement also provides for LUK-MB2 to receive an additional purchase price based on the sale price of the units to home purchasers. MCTI has contracted to purchase no less than seventy-two (72) lots per twelve (12) month period; however, MCTI shall be allowed one period consisting of eighteen (18) consecutive months during which MCTI shall only be required to purchase thirty-six (36) lots.

On November 1, 2007, LUK-MB2 entered into a Second Amendment to the Amendment and Restated Lots Sale Agreement with RWO Acquisitions, LLC. ("RWO"), whereby the purchase price for the lots in the first phase (Parcels 201 and 203) was revised to \$40,000.00 plus a fee of \$7,500.00 per completed condominium unit sold. The purchase price for all remaining lots remained the same (the "RWO Second Amended Agreement"). In addition, the lot closing dates for the second phases have been extended so that the second phase closing shall occur within sixty (60) days after LUK-MB2 provides notice to RWO that LUK-MB2 has

completed its lot preparation work as to those lots, but (a) as to parcel R-6, the closing date shall be no earlier than August 27, 2008, and (b) as to parcel R-7, such closing date shall be no earlier than February 27, 2009. The lot closing date for the fourth phase has been extended such that the fourth phase closing shall occur within sixty (60) days after LUK-MB2 provides written notice to RWO that LUK-MB2 has completed its lot preparation work as to those lots, but in no event earlier than April 27, 2010. All other lot closing dates have remained the same. Lastly, with respect to the first phase (Parcels 201 and 203), RWO has been granted until October 31, 2008, to commence construction.

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. LUK-MB2 closed on the purchase of the MBGH Property on January 15, 2008. In the Fourth Amended Master Plan, the MBGH Property was approved for 50 townhomes.

b. Status of any Phase II Vertical Development Activity:

As of March 31, 2008, 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 March 31, 2008, 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 March 31, 2008, 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 March 31, 2008, 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 March 31, 2008, 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 March 31, 2008, the total amount drawn under the 2006B Bond Purchase Agreement was \$4,157,571, which amount was drawn in full by LUK-MB2. As of March 31, 2008, LUK-MB1 had not drawn under the 2006B Bond Purchase Agreement; see, however, Recent Developments in Part IV below.

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

As of March 31, 2008, LUK-MB2 had not been informed of any default by the City or the bond purchaser under the 2006B Bond Purchase Agreement.

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; see, however, Recent Developments in Part IV below.

**LUK-MB5, LLC REPORT AS OF MARCH 31, 2008**

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":

None of the amendments resulting in the Fifth Amended Master Plan have resulted in any changes to Phase IA from the description contained in the Limited Offering Memorandum.

Construction has not begun on Phase IA. However, LUK-MB5 has prepared a site plan for Phase IA. As of March 31, 2008, 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 as previously disclosed in prior Developers' Continuing Disclosure Statements. The site plan of Phase IA will likely continue to change depending on market opportunities and conditions and the suitability and leasability of the 6.3 Acre Site; however, it is not anticipated that any revised site plan will result in the rentable square feet of space falling below the 175,000 rentable square feet set forth in the Limited Offering Memorandum.

- 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 March 31, 2008, 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:

During the quarter ended March 31, 2008, the 6.3 Acre Site has been transferred by quitclaim deed dated March 19, 2008, with land use control restrictions due to the environmental condition of the property from the United States of America to Myrtle Beach Air Force Base Redevelopment Authority (the "RDA") subsequent to the issuance of Finding of Suitability to Transfer ("FOST") by the Air Force Real Property Agency. The deed was recorded on April 4, 2008. See also further discussion under Recent Developments in Part IV below.

During the first quarter of 2008, there have been no other 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 the timing and manner of resolution of the issues surrounding the 6.3 Acre Site described in Recent Developments in Part IV below. As of March 31, 2008, LUK-MB5 had begun marketing Phase IA to retailers; however, during the first quarter of 2008 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 March 31, 2008, commencement of Phase IA was not anticipated to occur until on or about the third quarter of 2008, subject to the timing and manner of resolution of the issues surrounding the 6.3 Acre Site described in Item 3a above. Market conditions and opportunities at the time of the commencement of development of Phase IA 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.

**PART IV – RECENT DEVELOPMENTS**

1. Subsequent to the end of the first quarter of 2008, LUK-MB1 was informed by the project consultant for the City of Myrtle Beach that he is of the opinion that the amount of Series 2006A Bonds remaining are not sufficient to pay for the Phase I 2006 Redevelopment Projects and, as a result, an additional \$272,884 is needed to pay for the Phase I 2006 Redevelopment Projects. As of the date hereof, LUK-MB1 intends to use \$272,884 of the proceeds of the Series 2006B Bonds to cover these additional funds necessary for costs of the Phase I 2006 Redevelopment Projects. The project consultant for City of Myrtle Beach has suggested that additional equity may be necessary; however, these discussions are continuing and have not yet been concluded.
2. Subsequent to the end of the first quarter of 2008, on April 7, 2008, the RDA sent a letter to LUK-MB5 setting a closing date for the purchase of the 6.3 Acre Site by LUK-MB5 for May 19, 2008. Although LUK-MB5 is entitled to close on the purchase of the 6.3 Acre Site, according to the terms of the purchase agreement between the RDA and LUK-MB5, LUK-MB5 contends, and intends to send a letter to the RDA, that it is not required to purchase the 6.3 Acre Site until the RDA acquires fee title to it in an environmental condition acceptable to LUK-MB5 and after issuance of a FOST. Although a FOST has been issued as described above, the current environmental condition of the 6.3 Acre Site is not acceptable to LUK-MB5; therefore, LUK-MB5 desires to continue to lease rather than close on the purchase of the 6.3 Acre Site. As of the date hereof, there is uncertainty as to how the situation with respect to the 6.3 Acre Site will be resolved. However, as indicated above, LUK-MB5 does not expect any impact on the scope, and does not know the impact, if any, on timing of the projected Phase IA development as a result of this situation.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, we have hereunto set our hands as of this 15<sup>th</sup> day of May, 2008.

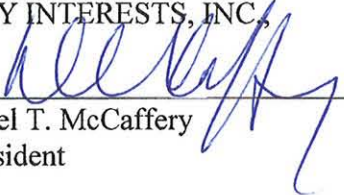
With respect to the Part I Periodic Report of LUK-MB1, LLC and Part II:

**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

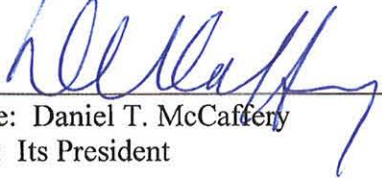
By: LUK-MYRTLE BEACH, LLC,  
Its Co-Managing Member

By: LUK-MB, LLC,  
Its Manager

  
\_\_\_\_\_  
Name: Tom Mara  
Title: Vice President

By: McMYRTLE LLC,  
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,  
Its Manager

  
\_\_\_\_\_  
Name: Daniel T. McCaffery  
Title: Its President

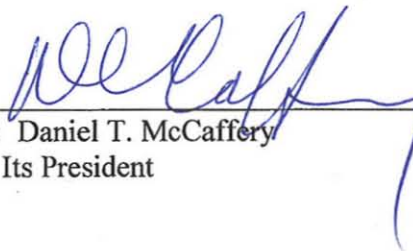
**[ADDITIONAL SIGNATURE PAGE FOLLOWS]**

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



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Name: Daniel T. McCaffery  
Title: Its President