

\$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, 2009. All capitalized terms used but not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated as of September 29, 2006 (the "Limited Offering Memorandum"). 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. All changes to street names in Phase I and Phase II of the Market Common, Myrtle Beach have been finalized; however, as of March 31, 2009, the streets have not yet been named in Phase IA.

Part II – PERIODIC REPORTS

LUK-MB1, LLC REPORT AS OF MARCH 31, 2009

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, six (6) amendments to the Master Plan for the Market Common, Myrtle Beach (the “Original Master Plan”) have been adopted by the City of Myrtle Beach (the “City”); four (4) of which have resulted in changes to Phase I; see additional information relating the Proposed Sixth Amendment (as so defined below) herein. The Proposed Seventh Amendment, as defined in Part II, Item 2a below, would not result in any changes to Phase I.

In December 2008, the Developers submitted a sixth amendment to the Master Plan for the Market Common, Myrtle Beach (the “Proposed Sixth Amendment”) which amendment proposed to increase the maximum building coverage for Phase I from 97%, as permitted by the existing Master Plan, to 100%. The Proposed Sixth Amendment was adopted by the Myrtle Beach City Council (the “Council”) on January 26, 2009, by Ordinance No. 2009-3 (the Master Plan for Market Common, Myrtle Beach, as amended through January 26, 2009, the “Sixth Amended Master Plan”) together with a related amendment to Section 1222.6.3 of Appendix A of the Zoning Ordinance adopted by the Council on the same date by Ordinance No. 2009-4 (the “Phase I Zoning Ordinance Amendment”).

Both the Phase I residential and the Phase I retail, commercial and office portions of the Market Common Development are open and operating.

The projected total cost for the Phase I private vertical improvements excluding site acquisition costs set out in the Limited Offering Memorandum (“Total Phase I Improvement Costs”) was \$142,264,600. Based on construction costs determined as a result of the bidding process, the projected Total Phase I Improvement Costs were revised to \$149,585,713 (the “Phase I Improvement Cost Budget”). As a result of additional tenant improvement costs for existing Tenants that were not originally budgeted, the estimated Total Phase I Improvement Costs have been revised to \$152,613,029* (“Actual Total Phase I Improvement Costs”). As of March 31, 2009, the portion of the Actual Total Phase I Improvement Costs incurred and funded was \$150,218,832; of the remaining balance of the Actual Total Phase I Improvements Costs, \$2,081,890 had not yet been incurred and \$312,307.28 had been incurred but not yet funded. As of March 31, 2009, Senior Loan

* Due to a typographical error, the Actual Total Phase I Improvement Costs were mistakenly reported as \$152,813,029 in the Continuing Disclosure Statement for the fourth quarter of 2008 instead of \$152,613,029.

proceeds in the amount of \$92,754,142, as well as \$19,000,000 in proceeds of the Mezzanine Loan and \$38,464,690 in equity had been expended on the Actual Total Phase I Improvement Costs. As a result of certain recent developments (see Recent Developments in Part IV below), any costs incurred but not yet funded, any costs not yet incurred and/or any scope changes to the tenant improvements in the Phase I private vertical improvements may need to be funded by additional equity; however, there is no certainty that the requisite equity funds will be available.

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

As described in Item 2a above, the contractors substantially completed all of the Phase I 2006 Redevelopment Projects during the third quarter of 2008. The Phase I 2006 Redevelopment Projects were delivered and dedicated to the City of Myrtle Beach during the fourth quarter of 2008. LUK-MB1 was to remediate the chipping and movement of some of the brick pavers on Howard Street (the "Brick Paver Matter") and uneven grading and movement in a number of the sidewalk ramps ("Sidewalk Ramp Matter") subsequent to delivery and dedication of the Phase I 2006 Redevelopment Projects to the City by LUK-MB1 (the "Remediation of the Brick Paver and Sidewalk Matters"). LUK-MB1 completed the Remediation of the Brick Paver and Sidewalk Matters during the first quarter of 2009 and, as of March 31, 2009, anticipated that this work will be accepted by the City at the beginning of the second quarter of 2009.

As of March 31, 2009, based on updated budget projections and information available to LUK-MB1, the aggregate anticipated cost of the Phase I 2006 Redevelopment Projects was \$26,456,605. As of March 31, 2009, the aggregate anticipated cost of the 2006 Redevelopment Projects (including Phases I, II and IA) was \$38,949,592.

- 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 during the first quarter of 2009.

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

All required Phase I permits have been obtained. Construction by LUK-MB1 of each of the Buildings (except tenant spaces that LUK-MB1 is not obligated to build pursuant to the executed leases and tenant spaces that are not subject

to executed leases) has been substantially completed and, where applicable, accepted by the Tenants.

LUK-MB1 has executed Leases with Tenants at various different times. LUK-MB1 has delivered retail, office and commercial spaces to the Tenants with leases executed prior to the end of the first quarter 2009 consistent with the terms of the Tenants' respective leases and, as of March 31, 2009, anticipated delivering the remaining retail, office and commercial spaces to those Tenants with leases executed prior to the end of the first quarter 2009 during the second quarter of 2009. The terms of the various 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 not required to be performed by LUK-MB1 under the applicable Lease will be completed by the applicable tenant. After payment of tenant improvement allowances by LUK-MB1, the remaining costs of tenant fit out for these spaces are to be paid by the Tenants; therefore, these costs are not included in the projected cost figures for the Phase I vertical improvements in Item 1a above.

LUK-MB1 executed leases and delivered various retail, office and commercial spaces during the first quarter of 2009 and if the Senior Lender agrees to make funds available to complete tenant improvements (see Recent Developments in Part IV. below), LUK-MB1 will continue its efforts to execute additional leases and deliver additional retail, office and commercial spaces during the second quarter of 2009.

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

There have been no changes to the approvals for Phase I 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 adoption of the Proposed Sixth Amendment and the Phase I Zoning Ordinance Amendment, each described in Item 2a above.

4. Statement of Zoning Classification Changes:

There have been no zoning classification changes for any parcel within Phase I of the Market Common Development other than the Phase I Zoning Ordinance Amendment described above.

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

a. Office and Retail Leasing Status:

The estimated total retail, office and commercial rentable space of Phase I (the “Aggregate Rentable Square Footage”) within the Market Common Development is approximately 386,758 square feet. As tenant fit-out continues and re-certification of square footage is completed, the Aggregate Rentable Square Footage may change. If the Senior Lender agrees to make funds available to complete tenant improvements (see Recent Developments in Part IV. below), LUK-MB1 will continue its efforts to execute additional leases and deliver additional retail, office and commercial spaces during the second quarter of 2009.

As of March 31, 2009, LUK-MB1 had executed leases with Tenants for approximately 85.92% of the Aggregate Rentable Square Footage; the majority of the Aggregate Rentable Square Footage that remained available was in the office components of Phase I. Additionally, as of March 31, 2009, LUK-MB1 had not obtained any additional executed letters of intent with prospective retail, commercial or office tenants. Including letter of intent negotiations, as of March 31, 2009, the status of retail, commercial and office leasing and lease negotiations (expressed as percentages of Aggregate Rentable Square Footage) could be summarized as follows:

Leases executed:	85.92%
Executed letters of intent:	0%
Letter of intent negotiations:	2.16%
Total Aggregate Rentable Square Footage committed:	88.08%
Total percentage of remaining Aggregate Rentable Square Footage:	11.92%

As of March 31, 2009, LUK-MB1 held executed leases from the following Tenants for the Phase I retail, commercial or office areas:

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage
Ann Taylor Retail, Inc. [†]	Ann Taylor	Specialty Retail	4,495
Anthropologie, Inc.	Anthropologie	Fashion Retail	12,000
Colorado Bag N’ Baggage, LLC. [‡]	Bag N’ Baggage	Fashion Retail	2,855

[‡] See Recent Developments, Part IV, infra.

* Through March 31, 2009, the Tenants identified by an asterisk had sent letters to LUK-MB1 requesting rent relief in the form of reduced rent, conversion to rent as a percentage of sales, rent abatement and/or marketing or other financial assistance. Many of the Tenants that have requested rent relief have started operating as if the relief has been granted and making payments or lack thereof accordingly. Under their leases, as of March 31, 2009, and continuing through the date of this Continuing Disclosure Statement, the Tenants remained obligated to continue to pay rent; however, as of each such date, Victoria’s Secret Stores, LLC, and Bath and Body Works,

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage
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
Finley & Bidley, Inc.*	The Big Tuna	Specialty Retail	1,119
Blue Mer, Inc.*	Blue Mer	Specialty Retail	2,693
Bobby Chan Retail at Myrtle Beach, LLC	Bobby Chan	Specialty Retail	3,752
Ferdon Brothers, Inc.*	Booty Outdoor Wear	Specialty Retail	2,200
Bungalow Bailey's, Inc.	Bungalow Bailey's	Specialty Retail	2,000
Wee. R. Sweetz, Inc.*	Canipes	Specialty Retail	986
Carlyle & Co. of Montgomery [§]	Carlyle & Co.	Specialty Retail	2,750
Chico's FAS, Inc.	Chico's	Fashion Retail	4,432
Coastal Center for Cognitive Therapy, PA	Coastal Center for Cognitive Therapy, PA	Service	822
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

LLC, each had the right to cease operations under the terms of its respective lease. Since the receipt of these letters, discussions have occurred between each Tenant and LUK-MB1, during which discussions, generally, the Tenants have indicated that they may be willing to stay open in the Market Common Development if certain adjustments to their leases are made, upon certain terms not yet agreed to. LUK-MB1 will consider these Tenant requests during the second quarter of 2009; however, there is no assurance that the Senior Lender, to the extent applicable, or LUK-MB1 will agree to these requests or that funding will be available so as to permit LUK-MB1 to grant any or all of these requests. It is noted in this regard that, pursuant to the terms of the Loan Agreement with the Senior Lender, the Senior Lender only has the right to accept or reject requested rent relief for Tenants with leased premises in excess of 5,000 square feet (a size which includes Divine Dining Group, Inc. ("Divine Prime"), Victoria's Secret Stores, Inc. ("Victoria's Secret") and Tommy Bahama R&R Holdings, Inc. ("Tommy Bahama")); however, see Recent Developments below as to the ongoing matters with the Senior Lender which may affect LUK-MB1's ability to grant rent relief in its sole discretion. It is also important to note that many of the leases for Phase I retail and commercial spaces of the Market Common Development (the "Center") contain operating co-tenancy provisions which provide grounds for Tenants to either pay reduced rent or terminate their leases if a certain percentage of Tenants in the Center are not open and operating, or in some leases, if certain Tenants (for example, Ann Taylor Retail, Inc. ("Ann Taylor"), Tommy Bahama, Bath & Body Works, LLC ("Bath & Body Works"), Victoria's Secret, Divine Prime, P&F, Inc. (on behalf of Copper Penny and Copper Penny Shooz) ("Copper Penny and Copper Penny Shooz") or a combination of those Tenants with other Tenants that have not sent rent relief letters) are not open and operating; therefore, ceasing of operations by these Tenants could have a material adverse impact on the Center. All the Tenants that have sent rent relief requests are included in the overall leasable area of the Center.

[§] Prior to March 31, 2009, Carlyle & Company of Montgomery ("Carlyle") advised LUK-MB1 that it intends to close its store in the Market Common Development on approximately August 1, 2009. Carlyle is included in the overall leasable area of the Center as reported in this Continuing Disclosure Statement. Many of the leases for the Center contain operating co-tenancy provisions which provide grounds for Tenants to either pay reduced rent or terminate their leases if a certain percentage of Tenants in the Center are not open and operating; therefore, cessation of operations by Carlyle, together with other tenants ceasing their operations, could have a material adverse impact on the Phase I retail, commercial and office portions of the Market Common Development.

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage
Divine Dining Group, Inc.*	Divine Prime and Roy & Sids	Restaurant/Bar	7,782
Divine Dining Group, Inc.*	Ultimate California Pizza	Restaurant/Bar	3,801
Dixie Divas, LLC*	Dixie Divas	Fashion	2,881
Dulce Lusso, LLC	Dulce Lusso	Specialty Retail	3,500
Edward Jones	Edward Jones	Service	877
Fossil Stores I, Inc.*	Fossil	Fashion Retail	1,320
Francesca's Collections, Inc.	Francesca's Collections	Fashion Retail	1,293
Handpicked, Inc.	Handpicked	Specialty Retail	1,558
Izzi-b, LLC*	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	Justice for Girls	Specialty Retail	4,162
King Street Grille – Myrtle Beach, LLC	King Street Grille	Restaurant/Bar	4,915
Lazy Gator	Lazy Gator	Specialty Retail	3,602
LUK-MBI, LLC*	Management Office	Service	3,320
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	7,005
Piggly Wiggly Holdings, LLC	Piggly Wiggly	Grocery	43,765
KDSH Enterprises, LLC*	Random	Fashion	1,514
Resort Quest Myrtle Beach, LLC	Resort Quest	Specialty Retail	489
Resort Quest Myrtle Beach, LLC	Resort Quest	Specialty Retail	2,121
Retail Brand Alliance, Inc.	Brooks Brothers Country Club	Fashion Retail	2,225
Elkes Enterprises, Inc.*	Rug Décor	Specialty Retail	3,480
Soma by Chico's, LLC	Soma by Chico's	Fashion Retail	2,617
Sunglass Hut Trading Corporation	Luxotica	Specialty Retail	900
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
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	12,300
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:

Marketing of the residential units in Phase I of the Market Common Development continued during the first quarter of 2009.

The number of apartment units comprising the Phase I residential continues to be the 195 apartments set forth in the Limited Offering Memorandum.

During the first quarter of 2009, the allocation of units for short term vacation rentals and long term rentals was been changed. As of March 31, 2009, of the 195 units, 81 were designated for short term vacation rentals and 114 were designated for long term rentals (i.e., lease terms of a year). As of March 31, 2009, 74 long term leases had been executed and 68 of these tenants had commenced their occupancy. Occupancy of the long term apartment units began in May 2008. An average of 32% of the units designated for short term vacation rentals were rented and occupied during the first quarter of 2009. Occupancy of the short term vacation rentals began in June 2008.

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 for the quarter ended March 31, 2009.

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

As of March 31, 2009, all Phase I private vertical development activity was substantially completed.

6. Legislative, Administrative or Judicial Challenges:

To the actual knowledge of LUK-MB1, as of March 31, 2009, 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 on Construction Loan:

As of March 31, 2009, LUK-MB1 had not received formal written notice of its default under any construction loan that finances any part of the Market Common Development. Subsequent to March 31, 2009, LUK-MB1 received three (3) letters regarding defaults and a breach under the Construction Loan and Security Agreement between LUK-MB1 and JPMorgan Chase Bank, N.A. (the "Agent") and the lenders that are parties thereto ("Lenders"), dated October 10, 2006, as amended by that certain First Amendment to Construction Loan and Security Agreement dated January 8, 2008 (the "Loan Agreement") and correspondence purporting to terminate, as a

result of a payment default, the interest rate swap under the 2002 Master Agreement (the “Swap Agreement”), between LUK-MB1 and JPMorgan Chase Bank, N.A. (“Chase”), in its capacity as counterparty, dated October 10, 2006, which Swap Agreement hedged LUK-MB1’s interest rate exposure on the Senior Loan and hedged LUK-MB1 Holdings, LLC’s (“Holdings”) interest rate exposure on the Mezzanine Loan. For additional information, see Recent Developments in Part IV below.

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

As of March 31, 2009, 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, 2009, LUK-MB1 had not been informed of any default with respect to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement. However, see Recent Developments in Part IV below.

10. Statement Regarding 2006B Bonds:

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

As of March 31, 2009, the total amount drawn under the 2006B Bond Purchase Agreement was \$8,511,436, of which amount, \$6,874,169 was drawn by LUK-MB2 and \$1,637,267 was drawn by LUK-MB1.

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

As of March 31, 2009, 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:

See Recent Developments in Part IV below, to the extent that the circumstances described therein could impact the ability of LUK-MB1 or LUK-MB2 to request additional draws under the 2006B Bond Purchase Agreement.

LUK-MB2, LLC REPORT AS OF MARCH 31, 2009

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 January 26, 2009, the “Sixth Amended Master Plan”) which impact Phase II of the Market Common, Myrtle Beach. The following table shows the totals of Phase II housing units as of March 31, 2009, as further set out in the Sixth Amended Master Plan:

Type of Unit	After Adoption of the First Through Sixth Amended Master Plans
Townhomes	899**
Condominiums	280

With regard to the Phase II North Parcels (which include Parcels 201 through 239), horizontal improvement work (the “Work”) for tracts R-4, R-6/C-5, including Sharpe Lane and R-5/C-3 is substantially completed. Civil design plans for tract R-1 have been submitted. Work has not yet commenced for tracts R-1, R-7/C-4, R-3/C-2 and R-2/C-4.

With regard to tract R-6/C-5 (Parcels 201 through 207), the water and sanitary sewer for tract C-5 (Parcels 201 and 202) was completed and dedicated to the City during the second quarter of 2007 which allowed LUK-MB2 to tie into the system. The street and storm sewer work for both tracts R-6 and C-5 was substantially completed during the third quarter of 2008, documents related to

** Reported in prior Continuing Disclosure Statements as 900 townhome units.

public dedication of this work have been reviewed and approved by the City, punchlist item requested by the City have been completed and approved, and a substantial completion certificate has been issued by the project engineer; however, public dedication will not occur until after the closing on the sale of tract R-6 to a third party purchaser. LUK-MB2 cannot predict when closing on such a sale will occur; see Item 5a below.

The water and sanitary sewer for tract R-5/C-3 (Parcels 222, 223, 224 & 225) was dedicated to the City during the second quarter of 2008 which allowed LUK-MB2 to tie into the system. Street and storm sewer was dedicated to the City during the first quarter of 2009.

The water and sanitary sewer for tract R-4 (Parcels 209, 210, 211 & 212) was dedicated to the City during the fourth quarter of 2007 which allowed LUK-MB2 to tie into the system. Street and storm sewer was dedicated to the City during the first quarter of 2009.

Civil design plans which had been re-designed to reflect adjustments in the water and sewer design for tract R-1 (Parcel 239) were submitted to the City during the second quarter of 2008 and approved by the City during the third quarter of 2008. Permits necessary to complete construction of the horizontal improvements were issued during the third quarter of 2008. Work has not yet commenced for R-1.

With regard to the Phase II South Parcels (which include Parcels 240 through 273 and the Golf Holiday property acquired during the first quarter of 2008), the Work for tracts R-11 and R-8 is substantially completed, and revisions to the land plan was completed for tract R-12 during the first quarter of 2009 and is expected to be submitted to the Council during the second quarter of 2009. Work has not yet commenced for tracts R-9, R-10, R-13 and Golf Holiday.

A contract for the horizontal work for tract R-8 (Parcel 255) was completed and the street and storm sewer was dedicated to the City during the first quarter of 2009.

The water and sanitary sewer for tract R-11 (Parcels 241, 242, 243 & 244) was dedicated to the City during the third quarter of 2007 which allowed LUK-MB2 to tie into the system. Street and storm sewer was dedicated to the City during the first quarter of 2009.

A land plan for tract R-12 (Parcels 259, 260, 261 & 262) was re-designed during the first quarter of 2009 to allow for the building of sixty-six detached single family homes on tract R-12 instead of 95 townhome units. In order to change the residential product as described above, LUK-MB2 is required to submit both a proposed amendment to the C-6 zoning ordinance and a

proposed amendment to the Master Plan for the Market Common Development in order to permit single family homes on tract R-12. As discussed in Item 3c below, a proposed amendment to the C-6 zoning ordinance was submitted and approved during the first quarter of 2009, and LUK-MB2 expects to submit the required proposal to amend the Master Plan during the second quarter of 2009; however, no assurances can be made that such proposed amendment will be submitted or the proposed amendment approved.

As of March 31, 2009, LUK-MB2 anticipated that as construction continues and additional contracts are awarded, there may be some change to the projected private costs of portions of Phase II due to 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 2007, any future amendments to the Master Plan, and any amendments to the C-6 zoning ordinance, including but not limited to, the Detached Single Family Home Zoning Ordinance Amendment described in Item 3c below. As of March 31, 2009, although a contract had been executed in connection with tract R-8 for a cost that was higher than projected, because tracts R-1 and R-12 have not yet been bid, the impact on the overall private budget for Phase II continued to be unknown.

- 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, 2009, the development plan for the Phase II 2006 Redevelopment Projects had not changed since the adoption of the Second Amended Master Plan.

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 water and sanitary systems have been dedicated to the City. The process of delivering and dedicating these public streets and the storm sewer systems to the City was completed during the first quarter of 2009.

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 water and sanitary sewer systems have been dedicated to the City. The process of delivering and dedicating these public streets and the storm sewer systems to the City was completed during the first quarter of 2009.

With regard to the Phase II South B, C and D site work (which includes all roads in Phase II South except the roads adjacent to tract R-13 (known as Phase II South D) and 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. Subject to favorable resolution of the matters discussed under Recent Development in Part IV, below, including the availability of funding, LUK-MB2 anticipates that the Phase II South B contract will be substantially completed and all punchlist items during the second or third quarter of 2009. Dedication of these public streets and storm systems to the City is expected during the second or third quarter of 2009. As of March 31, 2009, the construction to be performed under the Phase II South C contract was substantially completed and LUK-MB2 anticipated completing all punchlist and dedication of these public streets and storm systems to the City during the second quarter of 2009. With regard to the Phase II South D site work (which includes all public roads adjacent to tract R-13), contracts have not yet been sought and Work has not yet commenced.

In prior Continuing Disclosure Statements, it was mistakenly reported that the E site work was part of the Phase II 2006 Redevelopment Projects whereas the E site work was, in fact, part of the Phase IA 2006 Redevelopment Projects. Under the terms of the Infrastructure Purchase Agreement, LUK-MB2 assumed the obligations of LUK-MB5 for the Phase IA 2006 Redevelopment Projects; therefore, LUK-MB2 entered into the contract with Weaver to complete the E site work and LUK-MB2 had requested funds under the 2006B Bond Purchase Agreement to pay for a portion of this work; LUK-MB2 anticipates requesting additional funds under the 2006B Bond Purchase Agreement to pay for the remainder of this work; however, future requests under the 2006B Bond Purchase Agreement to pay for the balance of the E site work will be subject to favorable resolution of the matters discussed under Recent Developments in Part IV, below, including the availability of funding. Funds previously disbursed for E site work were mistakenly allocated to the Phase II 2006 Redevelopment Projects; however, LUK-MB2 anticipates that those funds will be reallocated to the Phase IA 2006 Redevelopment Projects in May 2009. See Item 2b of the LUK-MB5, LLC, report below, for specifics regarding the E site work.

As of March 31, 2009, based on the contracts awarded to such date and without regard to the proposed Amendments, LUK-MB2 continued 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 during the quarter ended March 31, 2009.

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

As of March 31, 2009, no additional site permits had been received by LUK-MB2.

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"; however, during the first quarter of 2009, a request to amend Section 1222.2.1 of Appendix A of the Zoning Ordinance was submitted which would allow, together with an approved amendment to the Master Plan, for the building of detached single family homes within the C-6 district (including Phase II and Phase IA) (the "Proposed Detached Single Family Home Zoning Amendment"). On March 24, 2009, the City Council adopted the Proposed Detached Single Family Home Zoning Amendment for the C-6 district by Ordinance No. 2009-16 ("Detached Single Family Home Zoning Ordinance Amendment") allowing for single family detached dwellings to be built in the C-6 tract, but only when included in an approved master plan. LUK-MB2 anticipates submitting a proposed amendment to the Master Plan for the Market Common Development during the second quarter of 2009 which, together with the Detached Single Family Home Zoning Ordinance Amendment, would allow for the building of detached single family homes instead of townhomes on tract R-12; however, no assurances can be made that such proposed amendment will be submitted or the proposed amendment approved.

4. Statement of Zoning Classification Changes:

During the quarter ended March 31, 2009, there were no zoning classification changes for any parcel within Phase II of the Market Common Development

except the Detached Single Family Home Zoning Ordinance Amendment as described in Item 3c above.

5. Contracts and Closed Sales:

a. Lots or Parcels under Contract and Closed Sales:

No new contracts for lots or parcels within Phase II of the Market Common Development were entered into during the first quarter of 2009.

Prior to the termination of the Sale Agreement (as such term was used and defined in the Continuing Disclosure Statement for the fourth quarter of 2008) with RWO Acquisitions, LLC (“RWO”) and MB Property Development III L.L.C. (“MB”) on December 15, 2008, each and every lot and parcel within Phase II of the Market Common Development was under contract to be sold. The result of the termination of the Sale Agreement with RWO and MB is that there is no longer in place a contract for the purchase of tracts R-6 (Parcels 205, 206 and 207), R-7 (Parcels 226, 227 and 229) and C-4 (Parcels 230 and 232); LUK-MB2 is evaluating its options with respect to each of these tracts. On January 31, 2008, LUK-MB2 entered into an Amended and Restated Lot Sale Agreement with Market Common Townhomes, Inc. (“MCTI”) whereby LUK-MB2 has agreed to sell MCTI seven hundred thirty-two (732) lots within Phase II of the Market Common Development. LUK-MB2 anticipates that, either as a result of MCTI’s development plans, or of LUK-MB2’s initiative, LUK-MB2 may submit various proposals for amendments to the Sixth Amended Master Plan, which proposed amendments may result in a decrease in the number of Phase II townhomes units being built. However, no assurances can be made that any proposed amendments to the Sixth Amended Master Plan will be submitted or approved.

Additionally, MB previously purchased tract C-5 (Parcels 201 and 203) (the “C-5 Parcel”), which C-5 Parcel is intended to be improved with 128 condominiums. Under the terms of the Sale Agreement, MB was obligated to commence construction of such condominiums on or before October 31, 2008. As of the date hereof, construction of these condominiums has not yet commenced. LUK-MB2 continues to consider its rights and remedies under the terms of the Sale Agreement and applicable law but has not made any decision as to which, if any, remedies it intends to pursue with respect to tract C-5.

b. Status of any Phase II Vertical Development Activity:

As of March 31, 2009, 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, 2009, 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 on Construction Loan:

As of March 31, 2009, 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. See, however, the information set forth in Recent Development in Part IV below with respect to LUK-MB1's construction loan financing for Phase I of the Market Common Development.

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

As of March 31, 2009, 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, 2009, LUK-MB2 had not been informed of any default with respect to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement. However, see Recent Developments in Part IV below.

10. Statement Regarding 2006B Bonds:

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

As of March 31, 2009, the total amount drawn under the 2006B Bond Purchase Agreement was \$8,511,436, of which amount, \$6,874,169 was drawn by LUK-MB2 and \$1,637,267 was drawn by LUK-MB1.

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

As of March 31, 2009, 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:

See Recent Developments in Part IV below, to the extent that the circumstances described therein could impact the ability of LUK-MB1 or LUK-MB2 to request additional draws under the 2006B Bond Purchase Agreement.

LUK-MB5, LLC REPORT AS OF MARCH 31, 2009

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”:

Since the date of closing on the Series 2006A Bonds, six (6) amendments to the Master Plan for the Market Common, Myrtle Beach (the “Original Master Plan”) have been adopted by the City; none of which have resulted in changes to Phase IA of the Market Common Development. On January 8, 2009, LUK-MB5 submitted a seventh amendment to the Master Plan for the Market Common, Myrtle Beach, proposing to amend the Master Plan to allow for 126 residential units (with an option for an additional 30 residential units) to be built on Phase IA (including some detached single family homes, a clubhouse and a swimming pool) in place of 175,000 rentable square feet of space for retail development (the “Proposed Seventh Amendment”). The Council was scheduled to have its first reading of the Proposed Seventh Amendment; however, that hearing has been postponed pending resolution of concerns raised by the RDA regarding the Proposed Seventh Amendment and LUK-MB5’s further analysis of the impact of the conditions contained in the New Deed and the recording of the New Deed on the nature, scope, timing and viability of Phase IA of the Market Common Development and the viability of the 6.3 Acre Site. LUK-MB5 is unable to predict how and when final resolution of the concerns relating to the Proposed Seventh Amendment will be reached.

During the first quarter of 2009, a request to amend Section 1222.2.1 of Appendix A of the Zoning Ordinance was submitted which would allow, together with an approved amendment to the Master Plan, for the building of

detached single family homes within the C-6 district (including Phase II and Phase IA) (the “Proposed Detached Single Family Home Zoning Amendment”). On March 24, 2009, the City Council adopted the Proposed Detached Single Family Home Zoning Amendment for the C-6 district by Ordinance No. 2009-16 (“Detached Single Family Home Zoning Ordinance Amendment”) allowing for single family detached dwellings to be built on tract C-6, but only when included in an approved master plan.

As of March 31, 2009, vertical construction had not begun on Phase IA. The site plan of Phase IA will likely continue to change depending on market opportunities and conditions, the suitability and/or leasability of the 6.3 Acre Site and resolution of issues in connection therewith as discussed below. As of March 31, 2009, LUK-MB5 continued to be uncertain of the impact of the issues surrounding the 6.3 Acre Site and current market and economic conditions on the projected Phase IA development plan 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:

In prior Continuing Disclosure Statements, it was mistakenly reported that the Phase IA Redevelopment Projects had not begun, when, in fact, they began during the fourth quarter of 2007. Specifically, the E site work (which includes the extension of Howard Avenue) was part of the Phase IA 2006 Redevelopment Projects, but was reported as part of the Phase II 2006 Redevelopment Projects. See Item 2b of the LUK-MB2 report above for additional information regarding the obligation of LUK-MB2 to complete Phase IA 2006 Redevelopment Projects and the right to request a draw of funds under the 2006B Bond Purchase Agreement to pay for the Phase IA 2006 Redevelopment Projects.

A contract for work in connection with the E site work was awarded to Weaver during the fourth quarter of 2007, and the work and all punchlist items were substantially completed during the third quarter of 2008. It is anticipated that these public streets and storm systems will be dedicated to the City during the second or third quarter of 2009.

Construction of Phase IA 2006 Redevelopment Projects is substantially completed, but has not yet been dedicated.

As of March 31, 2009, LUK-MB5 was analyzing the cost of the Phase IA 2006 Redevelopment Projects in light of the mistaken categorization of these projects as Phase II 2006 Redevelopment Projects; however, LUK-MB5 does not anticipate any increase 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:

The 6.3 Acre Site was transferred by quitclaim deed dated March 19, 2008, (“New Deed”) 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. On April 7, 2008, the RDA sent a letter setting a closing date for the purchase of the 6.3 Acre Site for May 19, 2008. Although the purchaser under the purchase agreement (the “Purchaser”) is entitled to close on the purchase of the 6.3 Acre Site, according to the terms of the purchase agreement, the Purchaser contends, and sent a letter to the RDA to that effect on May 9, 2008, that it is not required to purchase the 6.3 Acre Site unless such property is in an environmental condition acceptable to the Purchaser 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 the Purchaser, which fact Purchaser set forth in an email to the RDA on September 23, 2008; therefore, as of March 31, 2009, the Purchaser had indicated that it would not purchase the 6.3 Acre Site and was considering whether or not to continue its lease of the 6.3 Acre Site until the environmental condition of the 6.3 Acre Site is remediated. There continues to be uncertainty as to how the situation with respect to the 6.3 Acre Site and the related impact on the remainder of Phase IA will be resolved, including whether the Purchaser will be able or will choose to lease the 6.3 Acre Site and whether either the Purchaser or the RDA will take any legal actions with respect to the situation. The Purchaser, as of the date hereof, is continuing to assess its legal, development, project and other options, and has engaged in discussions with the RDA regarding the ultimate resolution. However, as indicated above, LUK-MB5 continues to be uncertain of the impact of the conditions contained in the New Deed and the recording of the New Deed on the nature, scope, timing and viability of Phase IA of the Market Common Development and the viability of the 6.3 Acre Site.

During the first quarter of 2009, 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". The Proposed Sixth Amendment does not affect Phase IA. As described in Item 2a above, the Proposed Seventh Amendment is pending, and the Detached Single Family Home Zoning Ordinance Amendment was adopted on March 24, 2009, by Ordinance No. 2009-16.

4. Statement of Zoning Classification Changes:

There have been no zoning classification changes for any parcel within Phase IA of the Market Common Development, except the Detached Single Family Home Zoning Ordinance Amendment as described in Item 2a above.

5. Leasing, Contracts and Closed Sales:

a. Retail Commercial or Residential Leasing Status:

As indicated in the Limited Offering Memorandum, commencement of Phase IA was not scheduled to occur until on or about the third quarter of 2008 and was projected to be largely driven by demand from third parties and, more recently, the Proposed Seventh Amendment described in Item 2a above, and the timing and manner of resolution of the issues surrounding the 6.3 Acre Site described in Item 3a above. As such, construction did not commence during the third quarter of 2008 and, based on current market conditions (including the considerations described in Recent Developments, Part IV., *infra*) is not anticipated to commence until after approval of the Proposed Seventh Amendment, resolution of the issues surrounding the 6.3 Acre Site, any resultant changes in the development plan for Phase IA as a result of each of the foregoing, and favorable resolution of certain of the considerations described in Recent Developments in Part IV, below. As of March 31, 2009, LUK-MB5 was not marketing Phase IA, pending resolution of the requested changes in use from retail to residential and other outstanding issues.

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:

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 on Construction Loan:

As of March 31, 2009, LUK-MB5 had 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. See, however, the information set forth in Recent Development in Part IV below with respect to LUK-MB1's construction loan financing for Phase I 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, except to the extent that the receipt of certain Notices of Default from the Agent on behalf of the Lenders or from Chase, with respect to the Swap Agreement, each as more specifically set forth in Recent Developments in Part IV. below, may constitute a Significant Event.

PART IV – RECENT DEVELOPMENTS

1. On April 23, 2009, the Agent, on behalf of itself and the Lenders, sent a Notice of Default to LUK-MB1 (the "First Senior Loan Letter"), stating that LUK-MB1 breached the Loan Agreement by entering into the Fifth Amendment to the lease between LUK-MB1 and Piggly Wiggly Holdings, LLC ("Piggly Wiggly"), as further described below, without first obtaining the consent of the Agent and that, if this breach is not cured within thirty (30) days from the date of the letter, LUK-MB1 shall be in default under the terms of the Loan Agreement with respect to the Senior Loan. Agent further advised in the First Senior Loan Letter that a Default has occurred under the terms of the Loan Agreement because LUK-MB1 had failed to complete the Residential Space (195 apartment units in Phase I of the Market Common Development) by May 31, 2008, as required under the terms of the Loan Agreement. On May 5, 2009, LUK-MB1 sent a letter to Agent (the "Response Letter") advising that it vigorously disputes that there is any breach or Default under the terms of the Loan Agreement or the Loan Documents (as such term is defined in the Loan Agreement). It is noted that, if a Default under the Loan Agreement is deemed to have

occurred, either directly or through a cross default as described below, the City of Myrtle Beach could deem there to be a default under the Public Infrastructure Purchase Agreement (“PIPA”) and the Tax Increment Financing Agreement (“TIF”) entitling the City of Myrtle Beach to exercise the remedies set forth in the PIPA and TIF as further described under “Infrastructure Purchase Agreement” and “Tax Increment Financing Agreement” in the Limited Offering Memorandum. LUK-MB1 intends to explore all defenses available to it and intends to continue to dispute the allegations of Agent in the First Senior Loan Letter; LUK-MB1 is also exploring all options and remedies available to it, including, but not limited to, a bankruptcy filing by LUK-MB1, efforts to negotiate a modification of the Loan Agreement and Loan Documents with the Agent and Lenders, and discussions with the City relating to the availability of the remaining funds for construction of the 2006 Redevelopment Projects to permit ongoing development of the Market Common Development.

On April 28, 2009, Agent sent an additional Notice of Default to LUK-MB1 (the “Second Senior Loan Letter”) stating that because a Default has occurred under the terms of the Loan Agreement, no withdrawals of funds from the development, money market and operating accounts of LUK-MB1 will be permitted without the consent of the Agent, as those accounts constitute collateral for the Senior Loan. LUK-MB1 sent the Response Letter (described above) to Agent which letter further advised that freezing LUK-MB1’s accounts and dishonoring checks and other payments issued for operations is inappropriate and wrongful, and further stated that LUK-MB1 will hold Agent responsible for any resulting costs, expenses or damages. Notwithstanding the Second Senior Loan Letter, and the Agent’s dishonoring of checks and other payments issued by LUK-MB1 to pay operating expenses and construction costs of Phase I of the Market Common Development, on May 10, 2009, the Agent agreed to honor checks and other payments issued and requested by LUK-MB1 to pay operating expenses and construction costs for the time period prior to May 6, 2009, which checks and other payments Agent and Lenders reviewed and approved. Discussions have occurred between the Agent, Lenders and LUK-MB1 regarding the process for continuing to make funds available to pay bills for completed construction and operation of Phase I of the Market Common Development in the ordinary course of business. There is no assurance, however, that an agreement will be reached which will continue to permit such funds to be so used. If an agreement cannot be reached between the parties, LUK-MB1 intends to explore all defenses and remedies available to it and intends to continue to dispute the actions of Agent in connection with the Second Senior Loan Letter.

On May 6, 2009, Chase, as counterparty under the Swap Agreement, sent a letter to LUK-MB1 (“First Chase Letter”) stating that LUK-MB1 had breached the Swap Agreement by failing to make the monthly periodic payment due under the Swap Agreement on May 5, 2009. On May 8, 2009, Chase sent an additional letter to LUK-MB1 (“Second Chase Letter”) stating that there had occurred an Event of Default under the Swap Agreement and that pursuant to the Swap Agreement, Chase had designated the Swap Agreement to be terminated on May 11, 2009, with any accelerated payments owed by LUK-MB1 pursuant to the terms of the Swap

Agreement (“Early Termination Amount”) to be calculated as of May 11, 2009. On May 11, 2009, Chase sent another letter to LUK-MB1 (“Third Chase Letter”) demanding payment on May 12, 2009, of the Early Termination Amount, which Chase had calculated to be \$7,642,516.64. Pursuant to the terms of the Swap Agreement, the Early Termination Amount is secured by the Senior Loan Mortgage and a failure by LUK-MB1 to pay the Early Termination Amount will result in a Default under the Loan Agreement, thereby granting the Agent and Lenders, subject to various notice and cure periods which may be applicable, certain remedies, including rights of foreclosure, as provided under the Loan Agreement, the Senior Loan Mortgage, and related security documents for the Senior Loan. LUK-MB1 has not paid the Early Termination Amount and has no intention of paying such amount to Chase. On May 12, 2009, Agent sent an additional Notice of Default to LUK-MB1 (the “Third Senior Loan Letter”) stating that an Event of Default occurred and is continuing under the terms of the Swap Agreement and that this Event of Default also constitutes a Default under the Loan Agreement. LUK-MB1 is exploring all options and remedies available to it, including, but not limited to, a bankruptcy filing by LUK-MB1, efforts to negotiate a modification of the Loan Agreement and Loan Documents with the Agent and Lenders to address this cross-default issue, and discussions with the City relating to the availability of the remaining funds for construction of the 2006 Redevelopment Projects to permit ongoing development of the Market Common Development.

Holdings is in arrears with respect to its payments to LUK-MB LLC (formerly known as LUK-MB Corp.) (the “Mezzanine Lender”) under the Mezzanine Loan. A failure to make payments under the Mezzanine Loan could result in a default under the Mezzanine Loan. A default under the Mezzanine Loan will only result in a cross default with the Senior Loan if the Mezzanine Lender commences an exercise of remedies as a result of such default.

LUK-MB1 intends to consider all options and remedies available to it in connection with the Senior Loan, the Mezzanine Loan, the termination of the Swap Agreement by Chase, the Agent’s declaration of the Default under the Loan Agreement as a result of the Event of Default under the Swap Agreement, and the Tenants’ requests for rent relief. LUK-MB1 also intends to have discussions with the City relating to the availability of the remaining funds for construction of the 2006 Redevelopment Projects to permit ongoing development of the Market Common Development and intends to continue discussions with all other parties regarding the resolution of all matters between them including, but not limited to, the alleged defaults, the frozen accounts, the demand for payment of an Early Termination Amount and the Agent’s declared cross-default to the Loan Agreement, and rent relief requests by the Tenants. However, LUK-MB1 cannot give any assurances that it will be successful in reaching satisfactory agreement on each such item with the Agent, the Lenders, the Mezzanine Lender, the City, Chase and the Tenants.

LUK-MB1 further notes that the recent developments may jeopardize LUK-MB1’s ability to satisfy the conditions set out in the Loan Agreement for an extension; without regard to such an extension, the Senior Loan matures on October 10, 2009.

The Developers further advise that, while the situation described in the preceding paragraph relate primarily to obligations of LUK-MB1, to the extent that the defaults, or alleged defaults, thereunder may result in defaults under the PIPA or the TIF, the City may exercise remedies in a manner which could impact the ability of LUK-MB1 and LUK-MB2 to access funds for ongoing funding of costs of the 2006 Redevelopment Projects and/or impact the ability of LUK-MB1 and LUK-MB2 to access funds under the 2006B Bond Purchase Agreement. As indicated above, the Developers intend to engage in conversations with respect to these matters with the City.

2. Colorado Bag 'N Baggage, LLC ("CBNB") defaulted under the terms of its lease by vacating its leased premises on or around April 16, 2009. LUK-MB1 intends to pursue all of its rights and remedies under the lease to recover the monies due and owing from CBNB. Many of the leases for the Center contain operating co-tenancy provisions which provide grounds for Tenants to either pay reduced rent or terminate their leases if a certain percentage of Tenants in the Center are not open and operating, therefore, ceasing of operations by CBNB, together with other tenants ceasing their operations, could have a material adverse impact on the Center. CBNB is included in the overall leasable area of the Center.

3. On April 6, 2009, Ann Taylor Retail, Inc. ("Ann Taylor"), sent an email to LUK-MB1 requesting rent relief in the form of a rent abatement. LUK-MB1 intends continue to consider this request during the second quarter of 2009; however, there is no assurance that LUK-MB1 will agree to this request. Many of the leases for the Center contain operating co-tenancy provisions which provide grounds for Tenants to either pay reduced rent or terminate their leases if a certain percentage of Tenants in the Center are not open and operating, or in some leases, if certain Tenants (for example, Ann Taylor, Tommy Bahama, Bath & Body Works, Victoria's Secret, Divine Prime, Copper Penny, Copper Penny Shooz or a combination of those Tenants with other Tenants that have not sent rent relief letters) are not open and operating; therefore, cessation of operations by Ann Taylor, together with other tenants ceasing their operations, could have a material adverse impact on the Phase I retail, commercial and office portions of the Market Common Development. Ann Taylor is included in the overall leasable area of the Center.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, we have hereunto set our hands as of this 15th day of May, 2009.

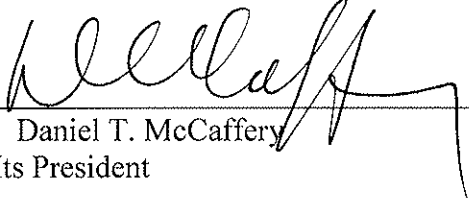
With respect to the Part I Periodic Report of LUK-MB1, LLC and Part II:

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

[ADDITIONAL SIGNATURE PAGE FOLLOWS]

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

LUK-MB2, LLC,
a Delaware limited liability company

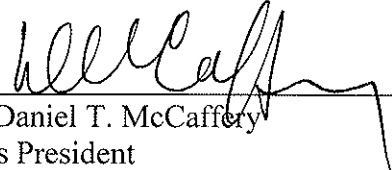
By: LUK-MYRTLE BEACH, LLC,
Its Co-Managing Member

By: LUK-MB LLC,
Its Manager

Name:
Title:

By: McMYRTLE LLC,
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager


Name: Daniel T. McCaffery
Title: Its President

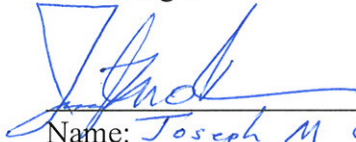
[ADDITIONAL SIGNATURE PAGE FOLLOWS]

With respect to the Part I Periodic Report of LUK-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: *Joseph M O'Connor*
Title: *Vice President*

By: McMYRTLE LLC,
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager

Name: Daniel T. McCaffery
Title: Its President

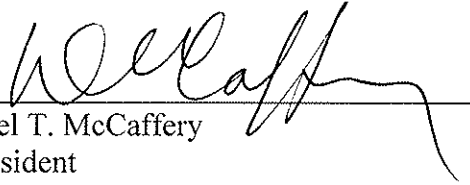
[ADDITIONAL SIGNATURE PAGE FOLLOWS]

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

A handwritten signature in black ink, appearing to read "D. McCaffery", is written over a horizontal line. The signature is cursive and extends to the right of the line.

Name: Daniel T. McCaffery
Title: Its President