

\$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 June 30, 2007. All capitalized terms used but not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated as of September 29, 2006 (the "Limited Offering Memorandum"). To the best of the respective knowledge of the undersigned:

Part I – CHANGES TO STREET NAMES

The Developers have been advised that a substantial number of the street names at the Market Common, Myrtle Beach have been changed. These changes, which were requested by the City, have been and/or will be implemented over time as subdivision, recombination and other plats are recorded in connection with lot sales or otherwise. As of June 30, 2007, not all these names had yet been included in the land records. The main road through the Market Common, Myrtle Beach described in the Limited Offering Memorandum, Farrow Parkway, continues to be so called, but the names of many of the other streets described in the Engineer's Report included in the Limited Offering Memorandum have changed. Certain information regarding these changes is set out in Part II below as it relates to the status of completion of certain of the 2006 Redevelopment Projects.

Part II – PERIODIC REPORTS

LUK-MB1, LLC REPORT AS OF JUNE 30, 2007

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

None

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

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

As also described under Item 3c below, an amendment to the Master Plan for Market Common, Myrtle Beach, as amended by Ordinance No. 2007 in the first quarter of 2007, (the “Master Plan”, as so amended, the “Current Master Plan”) was presented to the City of Myrtle Beach on May 15, 2007 (the “Amendment”). If approved, the Amendment would allow for the following changes from the Current Master Plan in relation to Phase I: the construction of several additional parking spaces and the removal of approximately 7,000 square feet of retail/office space from that provided for in the Current Master Plan. This proposed reduction would affect a single building that LUK-MB1 anticipated changing from a two story retail/office building to a three story office-only building on a smaller footprint, reducing its total square feet to approximately 42,878 square feet.

Construction of the Phase I private vertical improvements continues and is progressing according to schedule. As of June 30, 2007, foundation and footing permits had been obtained for a total of eight (8) buildings. It was inadvertently reported in the Developers’ Continuing Disclosure Statement for the first quarter of 2007 that foundation and footing permits had been obtained for nine (9) buildings.

As of June 30, 2007, shell/building permits had been issued for twelve (12) buildings, including one (1) for Market Common Cinema, LLC (“MCC”) which is completing the construction of its own building and tenant improvements. LUK-MB1 continued to anticipate needing shell/building permits for an additional seven (7) buildings, of which one (1) is expected to be requested by P.F. Chang’s China Bistro, Inc. (“PF Changs”) which is also completing the construction of its own building and tenant improvements and one (1) which was submitted in April 2007 by Piggly Wiggly Holdings, LLC (“Piggly Wiggly”) which is doing its own design and pulling its own permits. Residential upfit permits had been received for seven (7) buildings. As of June 30, 2007, LUK-MB1 did not anticipate needing any additional residential upfit permits.

As of June 30, 2007, the contract for Building R3, the location of the Piggly Wiggly store, was being negotiated; it is anticipated that this contract will be executed during the third quarter of 2007.

The issuance of all of the above referenced permits, together with the substantial completion of the pad grading for Phase I, has allowed the

footings and foundation work and other additional vertical work for these buildings to commence and continue. Site civil permits have been issued; as a result, pad grading and preparation of the pads to be delivered to tenants completing the construction of their own buildings is progressing in a timely manner as required by their leases.

Based on the contracts awarded to date and the updated budget projections, as of June 30, 2007, LUK-MB1 expected that the total cost of the Phase I private vertical improvements to be built by LUK-MB1 will be \$149,585,713 (exclusive of land acquisition costs) and that equity in the aggregate amount of \$35,585,713 will be required to complete the construction of such private vertical improvements, in addition to \$114,000,000 of proceeds of the Phase I Loans. As of June 30, 2007, \$35,448,327 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 \$2,274,640 of proceeds of the Mezzanine Loan. LUK-MB1 acknowledges that the full amount of the equity and Mezzanine Loan are required to be expended before receiving any draw under 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 are working on site and utility demolition, water and wastewater collection relocation, storm drainage relocation, asphalt paving removal, concrete sidewalk removal, and building demolition pursuant to contracts with LUK-MB1. The work to be performed under these contracts is progressing according to schedule.

The contract for the vertical work in connection with the parking garage known as P1 was executed during the first quarter of 2007, the precast and structural drawings for the P1 garage were approved by the City during the second quarter of 2007 and vertical construction has commenced.

The contract for the parking garage known as P2 was executed on May 1, 2007. A building permit for this garage was applied for on April 27, 2007, and issued on June 13, 2007. It is anticipated that vertical construction of the P2 parking garage will commence during the third quarter of 2007.

As of June 30, 2007, based on the contracts awarded to such date, LUK-MB1 continued to believe that the previously-disclosed aggregate increase of \$1,267,237 in the projected cost of Phase I 2006 Redevelopment Projects against the estimate therefor contained in the Limited Offering Memorandum remained accurate; the aggregate anticipated cost of the 2006 Redevelopment Costs remained \$38,381,024. However, as construction continues and additional contracts are awarded, the projected

cost of either the Phase I 2006 Redevelopment Projects or the 2006 Redevelopment Projects as a whole may continue to change.

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

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

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

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

As of June 30, 2007, all required Phase I site, demolition and relocation permits were obtained. Foundation and footing permits have been obtained for a total of eight (8) buildings. It was inadvertently reported in the Developers' Continuing Disclosure Statement for the first quarter of 2007 that foundation and footing permits had been obtained for nine (9) buildings. As of June 30, 2007, shell/building permits had been issued for twelve (12) buildings, and residential upfit permits had been received for seven (7) buildings, including but not limited to, the parking garages known as P1 and P2. A building permit was filed for Building R3, the location of the Piggly Wiggly store. LUK-MB1 will seek building permits (to the extent such permits have not already been obtained) and will build the parking garages known as P1 and P2 and build each of the Phase I buildings, except tenant spaces that LUK-MB1 is not obligated to build, as more fully set forth below.

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 the tenants will construct the vertical improvements. The pads have been certified after being tested for and passing moisture and compaction requirements. Both tenants applied for building permits. As of June 30, 2007, construction by these tenants had not yet commenced; however, it is anticipated that MCC and PF Changs will both receive building permits in the third quarter of 2007 and begin construction in that quarter. LUK-MB1 delivered a completed pad to MCC during the month of June 2007 and expects to deliver a completed pad to PF Changs in the third quarter of 2007.

LUK-MB1 will be delivering leased spaces within the buildings it is constructing as part of Phase I to all other tenants. The terms of the tenant leases vary in terms of the nature of the space to be delivered by LUK-MB1 (i.e., shell space, more complete fit-out); the balance of any finishing of space will be completed by the tenants. The cost of the buildings to be constructed by PF Changs and MCC, the design costs incurred by Piggly Wiggly, and the costs of tenant fit-out for the other tenants are not

included in the projected cost figures for the Phase I vertical improvements in Item 1a above.

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

There have been no changes to the approvals for such portions of the Market Common Site as described in the following section of the Limited Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – Zoning and Governmental Approvals" other than the pending Amendment as described both herein and in item 2 above.

On May 15, 2007, the Developers submitted an Amendment to the Current Master Plan. Pursuant to this Amendment, the Developers are proposing revisions relating to the Phase I site area, including changes to the retail/commercial mix of one building and a related adjustment to the number of parking spaces. As of June 30, 2007, various readings had taken place and reports presented; however, none of these resulted in any substantial change to the material aspects of the Amendment proposal submitted in May of 2007. As of June 30, 2007, no voting by the City Council for the City of Myrtle Beach had taken place.

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:

LUK-MB1 anticipates that, assuming the Amendment is adopted as proposed, the estimated total retail and commercial rentable space of Phase I within the Market Development will be approximately 391,031 square feet. As construction of Phase I continues, the square footage of the Phase I rentable space may change. Retail leasing activity remains strong and is encompassing a broad tenant mix.

As of June 30, 2007, LUK-MB1 had executed leases for approximately 62.62% of the total rentable retail space in Phase I, calculated assuming the Amendment is adopted as proposed. Additionally, as of June 30, 2007, LUK-MB1 had executed letters of intent with prospective retail or commercial tenants which would account for an additional approximately 16.63% of the total rentable space in Phase I. Including letter of intent negotiations, as of June 30, 2007, the status of leasing and lease negotiations (expressed as percentages of total rentable space in Phase I) can be summarized as follows:

Leases executed:	62.62%
Executed letters of intent:	16.63%
Letter of intent negotiations:	8.88%
Total rentable space committed*:	88.13%
Total percentage of remaining rentable space:	11.87%

*This category was previously called Total Rentable Space, but it has always meant the percentage of the Phase I rentable space that is committed (i.e., the total of the percentage of leases executed, executed letters of intent and letter of intent negotiations, determined as a percentage of the total Phase I rentable space).

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As of June 30, 2007, LUK-MB1 held executed leases from the following entities for the Phase I retail or commercial areas:

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage *
Anthropolgie, Inc.	Anthropologie	Fashion Retail	12,000
Bag N' Baggage, Ltd.	Bag N' Baggage	Fashion Retail	2,853
Banana Republic, LLC	Banana Republic	Fashion Retail	8,000
Barnes & Noble Booksellers, Inc.	Barnes & Noble	Books & Music	28,000
Big River Breweries, Inc.	Gordon Biersch	Restaurant/Bar	8,846
Carlyle & Co. of Montgomery	Carlyle & Co.	Specialty Retail	2,750
Chico's FAS, Inc.	Chico's	Fashion Retail	4,432
Coldstone Creamery Leasing Company, Inc.	Cold Stone Creamery	Restaurant	1,300
Coldwater Creek, Inc.	Coldwater Creek	Fashion Retail	5,966**
Divine Dining Group, Inc.	Divine Steakhouse	Restaurant/Bar	7,782**
Divine Dining Group, Inc.	Ultimate California Pizza	Restaurant/Bar	3,801
Handpicked, Inc.	Handpicked	Specialty Retail	1,558
Izzy-B, LLC	Izzy B	Fashion Retail	1,809
LUK-MBI, LLC	Management Office	Service	3,328
Market Common Cinema, LLC	Consolidated Theaters	Theaters	51,941
P&F, Inc.	Copper Penny	Fashion Retail	1,901
P&F, Inc.	Copper Penny Shooz	Fashion Retail	1,584
P.F. Chang's China Bistro, Inc.	PF Chang's China Bistro	Restaurant/Bar	6,600
Piggly Wiggly Holdings, LLC	Piggly Wiggly	Grocery	43,765
Retail Brand Alliance, Inc.	Brooks Brothers Country Club	Fashion Retail	2,225
Soma by Chico's, LLC	Soma by Chico's	Fashion Retail	2,617
Sunglass Hut Trading Corporation	Luxotica	Specialty Retail	900
TGC Enterprises, Inc.	Planet Beach Tanning Spa	Specialty Retail	1,843
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
White House Black Market, Inc.	White House Black Market	Fashion Retail	3,000
Williams-Sonoma Stores, Inc.	Williams Sonoma	Specialty Retail	6,000***
Withers Preserve Management Company, LLC	RWO Sales Center	Specialty Retail	1,505

*As the retail and commercial components of Phase I of the Market Common Development are constructed, either the aggregate rentable square footage or the rentable square footage amounts listed in the chart above may change.

** Since March 31, 2007, Coldwater Creek, Inc. has decreased the square footage being leased by 34 square feet (from 6,000 to 5,966) and Divine Dining Group, Inc./Divine Steakhouse has increased the square footage being leased by 4 square feet (from 7,778 to 7,782).

*** Please note that the lease executed during the first quarter of 2007 by LUK-MB1 with Williams-Sonoma Stores, Inc. is for 6,000 square feet. There was an inadvertent discrepancy between the table which stated 6,000 square feet and inclusion of 12,000

square feet in the body of the Developers' Continuing Disclosure Statement for the first quarter 2007.

b. Residential Leasing:

Residential leasing has not begun and 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 June 30, 2007, LUK-MB1 was conducting all ongoing Phase I private development activity. For additional information, see the response to Item 1 above.

6. Legislative, Administrative or Judicial Challenges:

To the actual knowledge of LUK-MB1, as of June 30, 2007, there had been no legislative, administrative or judicial challenges to the construction of Phase I of the Market Common Development or the validity of the duly recorded plat or other public approvals.

7. Notice of Default in Construction Loan:

As of June 30, 2007, LUK-MB1 had not received formal written notice of its default under any construction loan that finances any part of the Market Common Development.

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

As of June 30, 2007, there had been no material amendments or supplements to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

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

As of June 30, 2007, LUK-MB1 had not been informed of any default with respect to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

10. Statement Regarding 2006B Bonds:

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

As of June 30, 2007, the total amount drawn under the 2006B Bond Purchase Agreement was \$1,850,345, which amount was drawn in full by LUK-MB2. As of June 30, 2007, LUK-MB1 had not drawn under the 2006B Bond Purchase Agreement.

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

As of June 30, 2007, LUK-MB1 had not been informed of any default by the City or the bond purchaser under the 2006B Bond Purchase Agreement.

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

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

LUK-MB2, LLC REPORT AS OF JUNE 30, 2007

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

None

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

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

As also described under Item 3c below, an Amendment to the Current Master Plan was presented to the City of Myrtle Beach on May 15, 2007. If approved, the Amendment will allow for the following changes from the Current Master Plan in relation to Phase II: a further increase in the number of townhomes by 149 units, resulting in a cumulative increase of 128 units from the 866 units projected in the Limited Offering Memorandum to 994 units. Of the proposed increase in the number of townhomes set forth above, fifty (50) relate to the proposed development of the MBGH Property (as defined in the Developers' Continuing

Disclosure Statement for the first quarter 2007); the closing of this transaction having not yet occurred. As described in such Continuing Disclosure Statement, the closing on the purchase of the MBGH Property must occur between January 1, 2008 and April 1, 2009. As of June 30, 2007, LUK-MB2 had not determined the actual closing date for the MBGH Property.

In addition, the Amendment would allow for a decrease in retail/commercial office space in Phase II from approximately 34,700 rentable square feet as set forth in the Limited Offering Memorandum to approximately 10,400 rentable square feet.

The Amendment would also change to the parking to be constructed to support both the increase in the residential and decrease in the retail components of the vertical development, increasing the number of residential spaces and reducing the amount of public parking (surface lot and on-street).

With regard to the Phase II North Parcels (which include Parcels 201 through 239), the horizontal improvement work for parcels 201 and 202 in tract C5, which was sold to RWO Acquisitions, was completed during the second quarter of 2007. Civil design has continued on the remaining portion of tract C5/R6 and was submitted to the City on April 16, 2007; approval of the design from the City is expected during the third quarter of 2007. The horizontal improvement work is completed for Lots 1 through 32 in tract R4, a 2.748 acre tract, which tract is being sold in phases to Market Commons Townhomes, Inc. ("MCTI") (assignee of the Dock Street Agreement from MCTC). The horizontal improvement work is nearing completion for Lots 33 through 54 in tract R4 and is expected to be completed in the third quarter of 2007. 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 R11, a 3.065 acre tract, which tract is being sold in phases to MCTI. None of the other anticipated private horizontal improvement work has begun for the Phase II South Parcels.

As of June 30, 2007, LUK-MB2 did not anticipate any material change in the projected private costs of Phase II to be funded by LUK-MB2. As construction continues, additional contracts awarded and the Current Master Plan amended, the projected private costs of the Phase II may change.

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

As of June 30, 2007, there have been no material changes to the development plan for the Phase II 2006 Redevelopment Projects. However, if approved, the Amendment would result in a limited number of changes to the development plan for the Phase II 2006 Redevelopment Projects. Specifically, the Amendment contemplates removing two surface parking lots comprising part of the Phase II 2006 Redevelopment Projects which is related to the removal of four (4) retail buildings from the Current Master Plan. Note, if the Amendment is approved, where , on the Current Master Plan, there were previously four (4) retail buildings and two (2) surface parking lots, additional townhomes and related additional residential parking spaces will be built.

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 progressing according to schedule.

With regard to the Phase II North parcels (which include Parcels 201 through 239), a contract for installation of sanitary sewer, storm sewer, water lines and road work for tract R4, including parcels 209, 211, and 212, was awarded to Weaver Corporation, Inc. and executed on March 16, 2007. This work was substantially completed in the second quarter of 2007. Additionally, a contract for installation of sanitary sewer, storm sewer, water lines and road work for tract C5, including parcel 201, 202, and 203, was awarded to Weaver Corporation, Inc. and executed on March 23, 2007. This work was substantially completed in the second quarter of 2007. Further, contracts are being negotiated for installation of sanitary sewer, storm sewer, water lines and road work for tracts R5 and R6, with an expectation that these contracts will be executed in the third 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 progressing according to schedule.

With regard to the Phase II South parcels (which include Parcels 240 through 273), a contract for installation of sanitary sewer, storm sewer, water lines and road work for tract R11, including parcels 241, 242, 243 and 244, was awarded to Weaver Corporation, Inc. and executed on November 9, 2006. This work is substantially complete.

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), no contracts have been executed and no work has begun.

As of June 30, 2007, based on the contracts awarded to such date and without regard to the proposed Amendment, LUK-MB2 anticipated 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, additional contracts awarded and the Current Master Plan amended, the projected cost of the Phase II 2006 Redevelopment Projects may change.

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

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

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

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

Site civil permits were obtained in the fourth quarter of 2006 for (i) the Phase II North site work, including, but not limited to, sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures (which includes Iris, Hendrick and Carlson, portions of Johnson, Howard Avenue, Hackler Street), and (ii) the Phase II South site work, including, but not limited to, sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures (which includes portions of Murray, portions of Pancho, portions of Johnson, and Kruzel Street). Additionally, during the same quarter, site permits were obtained for the Phase II site work for tract R11 (see above for description of tract R11). During the second quarter of 2007, site permits were obtained for the Phase II site work for tracts R4 and C5 (see descriptions above). Site permits for tracts R6 and R5 are expected to be obtained during the third quarter of 2007. There have been no additional permits obtained during the second quarter of 2007.

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

There have been no changes to the approvals for such portions of the Market Common Site as described in the following section of the Limited Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – Zoning and Governmental Approvals", other than the pending Amendment as described both herein and in item 2 above.

On May 15, 2007, the Developers submitted an Amendment to the Current Master Plan. Pursuant to this Amendment, the Developers are proposing revisions relating to the Phase II site area, including development of the MBGH Property, including removal of retail-only buildings from some of the tracts, addition of live/work/retail and traditional townhomes, and related adjustments to the number of parking spaces. As of June 30, 2007, various readings had taken place and reports presented; however, none of these resulted in any substantial change to the material aspects of the Amendment proposal submitted in May of 2007. As of June 30, 2007, no voting by the City Council for the City of Myrtle Beach had taken place.

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:

No new contracts for lots or parcels within Phase II of the Market Common Development have been entered into since the date of the Limited Offering Memorandum; however, on April 27, 2007, RWO Acquisitions, LLC (“RWO”) entered into a First Amendment to and Partial Assignment of the Amended and Restated Lot Sales Agreement (the “Amended RWO Contract”). According to the Amended RWO Contract, the legal description of the property being purchased was changed to remove all public parcels inadvertently included in the legal description attached to the original Amended and Restated Lot Sale Agreement. Further, the portion of RWO’s rights that relate to the sale of Parcels 201 and 203 was assigned from RWO to MB Property Development III LLC (“MB”). In addition, LUK-MB2 agreed to permit MB to use Parcel 230 as a construction staging area. Finally, MB deposited \$80,000 into an escrow account (the “Deposit”), which amount will be credited against the purchase price of Parcel 207 if that closing is consummated in a timely manner as provided in the Amended RWO Contract; if not, then the Deposit shall become non-refundable and become LUK-MB2’s property.

On April 27, 2007, LUK-MB2 closed on the sale of Parcels 201 and 203 in tract C5 to MB. LUK-MB2 has substantially completed its development obligations regarding these parcels.

On May 17, 2007, LUK-MB2 closed on the sale of Lots 1 through 8 and 37 through 44 in tract R11 (Parcels 241, 242 and 244) to Market Common Townhomes, Inc. LUK-MB2 has substantially completed its development obligations regarding these lots.

The permits for LUK-MB2's lot preparation work for the lots being sold to RWO were expected to be issued during the second quarter of 2007; however, LUK-MB2 anticipates that some will be issued during the third quarter of 2007 and others during the fourth quarter of 2007.

b. Status of any Phase II Vertical Development Activity:

As of June 30, 2007, LUK-MB2 did not plan to do any vertical improvements in Phase II of the Market Common Development.

6. Legislative, Administrative or Judicial Challenges:

To the actual knowledge of LUK-MB2, as of June 30, 2007, there had been no legislative, administrative or judicial challenges to the construction of Phase II of the Market Common Development or the validity of the duly recorded plan or other public approvals.

7. Notice of Default in Construction Loan:

As of June 30, 2007, LUK-MB2 had not received formal written notice of its default under any construction loan that finances any part of the Market Common Development. LUK-MB2 is not party to any construction loan financing for any part of the Market Common Development.

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

As of June 30, 2007, there had been no material amendments or supplements to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

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

As of June 30, 2007, LUK-MB2 had not been informed of any default with respect to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

10. Statement Regarding 2006B Bonds:

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

As of June 30, 2007, the total amount drawn under the 2006B Bond Purchase Agreement was \$1,850,345, which amount was drawn in full by LUK-MB2. As of June 30, 2007, LUK-MB1 had not drawn under the 2006B Bond Purchase Agreement.

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

As of June 30, 2007, LUK-MB2 had not been informed of any default by the City or the bond purchaser under the 2006B Bond Purchase Agreement.

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

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

LUK-MB5, LLC REPORT AS OF JUNE 30, 2007

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

None

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

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

As also described under Item 3c below, an Amendment to the Current Master Plan was presented to the City of Myrtle Beach on May 15, 2007. If approved, the Amendment will not allow for any changes to Phase IA.

Construction has not begun on Phase IA. However, the LUK-MB5 have prepared a site plan for Phase IA. As of June 30, 2007, this site plan was consistent with the development plan for Phase IA set out in the Limited Offering Memorandum, except to the extent that the site plan includes approximately 181,000 rentable square feet of space, an increase of 6,000 rentable square feet over the figure set out in the Limited Offering Memorandum. The rentable square footage of Phase IA will likely continue to change depending on market opportunities and conditions.

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

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

As of June 30, 2007, LUK-MB5 did not anticipate any material change in the projected cost of the Phase IA 2006 Redevelopment Projects.

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

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

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

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

LUK-MB5 has not sought or received any permits for Phase IA.

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

There have been no changes to the approvals for such portions of the Market Common Site as described in the following section of the Limited Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – Zoning and Governmental Approvals", other than the pending Amendment as described both herein and in item 2 above.

On May 15, 2007, the Developers submitted an Amendment to the Current Master Plan. LUK-MB5 does not anticipate that the Amendment will allow for any changes to Phase IA.

4. Statement of Zoning Classification Changes:

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

5. Leasing, Contracts and Closed Sales:

a. Retail Commercial or Residential Leasing Status:

As indicated in the Limited Offering Memorandum, commencement of Phase IA is not scheduled to occur until on or about the third quarter of 2008 and is largely driven by demand from third parties and by the success of Phases I and II of the Market Common Development (including, in particular, the achievement of substantial lease-up of the Phase I commercial and retail areas). As of June 30, 2007, LUK-MB5 had begun marketing Phase IA to retailers; however, during the second quarter of 2007 there have been not been any negotiations of letters of intent,

letters of intent executed 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 June 30, 2007, commencement of Phase IA was not anticipated to occur until on or about the third quarter of 2008. Market conditions and opportunities will dictate whether LUK-MB5 will conduct any vertical development in Phase IA.

6. Legislative, Administrative or Judicial Challenges:

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

7. Notice of Default in Construction Loan:

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

PART III - SIGNIFICANT EVENTS

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, we have hereunto set our hands as of this 14th day of August, 2007.

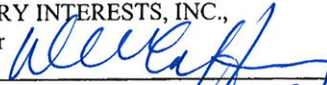
With respect to the Part I Periodic Report of LUK-MB1, LLC and Part II:

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

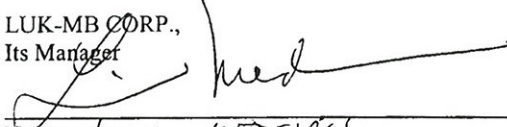

Name: Daniel T. McCaffery
Title: Its President

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

LUK-MB2, LLC,
a Delaware limited liability company

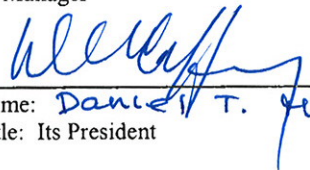
By: LUK-MYRTLE BEACH, LLC,
Its Co-Managing Member

By: LUK-MB CORP.,
Its Manager


Name: Luis Medeiros
Title: VP

By: McMYRTLE LLC,
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager


Name: Daniel T. McCaffery
Title: Its President

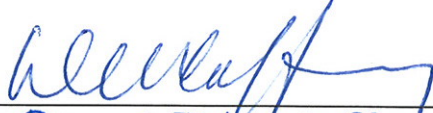
[ADDITIONAL SIGNATURE PAGE FOLLOWS]

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

LUK-MB5, LLC,
a Delaware limited liability company

By: McMYRTLE LLC,
Its Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager



Name: Daniel T. McCaffery
Title: Its President