

\$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, 2008. All capitalized terms used but not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated as of September 29, 2006 (the "Limited Offering Memorandum"). To the best of the respective knowledge of the undersigned:

Part I – CHANGES TO STREET NAMES

The Developers have been advised that a substantial number of the street names at the Market Common, Myrtle Beach have been changed. As of June 30, 2008, all changes to street names in Phase I and Phase II of the Market Common, Myrtle Beach have been finalized; however, the streets have not yet been named in Phase IA.

Part II – PERIODIC REPORTS

LUK-MB1, LLC REPORT AS OF JUNE 30, 2008

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

None
2. Status of Completion, including material changes to the plan of completion, of each of the following:
 - a. Phase I of the Market Common Development and related improvements described in the sections of the Limited Offering Memorandum entitled "THE

MARKET COMMON DEVELOPMENT AND MARKET COMMON DEVELOPERS – The Market Common Development” and “Phase I”:

Since the date of closing on the Series 2006A Bonds, five (5) amendments to the Master Plan for the Market Common, Myrtle Beach (the “Original Master Plan”) have been adopted by the City of Myrtle Beach (the “City”); three (3) of which have resulted in changes to Phase I.

As of June 30, 2008, construction of the Phase I private vertical improvements was substantially completed.

As of June 30, 2008, certificates of occupancy were received for the buildings or vertical improvements known as P1, A2, A5, A6, A7, A8, R1A, R1B, PF Chang’s, Piggly Wiggly, and the Market Common Cinema. Temporary certificates of occupancy were received for the buildings or vertical improvements known as P2, A1, A3, and A4; with final certificates of occupancy expected to be received at the beginning of the third quarter for the buildings known as A1, A3 and A4, and by the end of the third quarter for the vertical improvement known as P2. These temporary and final certificates of occupancy have allowed and will continue to allow the tenants with executed leases (the “Tenants”) for spaces within these buildings to open for business on the dates set forth in their Leases. The buildings or vertical improvements known as P1, P2, A1, A2, A5, A6, A7, A8, R1A, R1B, PF Chang’s, Piggly Wiggly, and the Market Common Cinema are collectively referred to as the “Buildings”.

During the second quarter of 2008, LUK-MB1 was asked by the City to make some changes to exterior architectural details for each of the Buildings. LUK-MB1 made all the changes requested by the City during the second quarter of 2008 to all Buildings except the building known as P2 and, as a result, LUK-MB1 did not receive a final certificate of occupancy for P2, but expects to complete the work and receive a final certificate of occupancy for P2 by the end of the third quarter of 2008.

As of June 30, 2008, construction of the building known as R2A was substantially completed and LUK-MB1 received a temporary certificate of occupancy for this building. LUK-MB1 expects to receive a final certificate of occupancy during the third quarter of 2008.

Based on the contracts awarded to date and updated budget projections, as of June 30, 2008, LUK-MB1 expected that the total cost of the Phase I private vertical improvements to be built by LUK-MB1 will be \$149,585,713 (exclusive of land acquisition costs) and that equity in the aggregate amount of \$36,767,887 will be required to complete the construction of such private vertical improvements, in addition to \$114,000,000 in proceeds of the Phase I Loans. As of June 30, 2008, all of this projected required equity amount had

been expended on costs of the Phase I vertical improvements to be built by LUK-MB1 as well as \$19,000,000 in proceeds of the Mezzanine Loan and \$74,668,551 in proceeds of the Senior Loan.

During the second quarter of 2008, LUK-MB1 realized that \$246,673.00 of costs (including sound system and signage) which are contained in the budget for the Phase I 2006 Redevelopment Projects should have been funded as part of the costs of the Phase I 2006 Redevelopment Projects, but rather were funded by equity of LUK-MB1. As a result, equity in the amount of \$246,673.00 was reimbursed from proceeds of the Series 2006A Bonds.

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

There have been no material changes to the development plan for the Phase I 2006 Redevelopment Projects. The contractors have substantially completed all of the Phase I 2006 Redevelopment Projects. LUK-MB1 met with the project consultant for the City during the second quarter of 2008 to review punchlist items and review the Phase I 2006 Redevelopment Projects as completed. As of June 30, 2008, LUK-MB1 had completed the majority of the punchlist items requested by the City prior to public dedication. LUK-MB1 and the City continued to work together regarding the documentation required in connection with the dedication of the public spaces. As of June 30, 2008, the process of delivering and dedicating these public areas to the City was progressing with dedication expected towards the end of the third quarter of 2008.

As of June 30, 2008, based on the contracts awarded to such date, LUK-MB1 continued to believe that the previously-disclosed aggregate increase of \$1,267,237 in the projected cost of Phase I 2006 Redevelopment Projects against the estimate therefor contained in the Limited Offering Memorandum remained accurate; the aggregate anticipated cost of the 2006 Redevelopment Projects was \$38,381,024. This figure includes the \$246,673.00 of costs of the Phase I 2006 Redevelopment Projects that were originally funded with equity as described in Item 2a. above. However, the projected cost of either the Phase I 2006 Redevelopment Projects or the 2006 Redevelopment Projects as a whole may change during the ongoing construction process and as punchlist items are identified and completed.

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

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

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

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

As of the end of the second quarter of 2008, all required Phase I permits had been obtained. LUK-MB1 does not anticipate needing any additional permits for Phase I. 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) was 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 spaces to 100% of the Tenants with leases executed prior to the end of the second quarter 2008. The terms of the 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 not included in the projected cost figures for the Phase I vertical improvements in Item 1a above.

LUK-MB1 expects to execute additional leases and deliver additional retail spaces during the third and fourth quarters of 2008.

- 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”.

4. Statement of Zoning Classification Changes:

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

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

- a. Commercial and Retail Leasing Status:

The estimated total retail, commercial and office rentable space of Phase I (the “Aggregate Rentable Square Footage”) within the Market Common Development is approximately 386,657 square feet. As tenant fit-out continues and re-certification of square footage is completed, the Aggregate Rentable

Square Footage may change. Retail, commercial and office leasing activity remains strong and is encompassing a broad tenant mix.

As of June 30, 2008, LUK-MB1 had executed leases with Tenants for approximately 83.34% of the Aggregate Rentable Square Footage. Additionally, as of June 30, 2008, LUK-MB1 had executed letters of intent with prospective retail, commercial or office tenants which would account for an additional approximately 2.83% of the Aggregate Rental Square Footage. Including letter of intent negotiations, as of June 30, 2008, the status of retail, office and commercial leasing and lease negotiations (expressed as percentages of Aggregate Rentable Square Footage) can be summarized as follows:

Leases executed:	83.34%
Executed letters of intent:	2.83%
Letter of intent negotiations:	3.15%
Total Aggregate Rentable Square Footage committed:	89.32%
Total percentage of remaining Aggregate Rentable Square Footage:	10.68%

As of June 30, 2008, LUK-MB1 held executed leases from the following Tenants for the Phase I retail or commercial areas:

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage ¹
Ann Taylor Retail, Inc.	Ann Taylor	Specialty Retail	4,495
Anthropologie, Inc.	Anthropologie	Fashion Retail	12,000
Bag N' Baggage, Ltd. ²	Bag N' Baggage	Fashion Retail	2,855
Banana Republic, LLC	Banana Republic	Fashion Retail	8,000
Barnes & Noble Booksellers, Inc.	Barnes & Noble	Books & Music	28,233
Bath and Body Works, LLC	Bath and Body Works	Specialty Retail	3,567
Big River Breweries, Inc.	Gordon Biersch	Restaurant/Bar	8,846
Finley & Biddy, Inc.	The Big Tuna	Specialty Retail	1,119
Blue Mer, Inc.	Blue Mer	Specialty Retail	2,693
Ferdon Brothers, Inc.	Booty Outdoor Wear	Specialty Retail	2,200
Wee. R. Sweetz, Inc	Canipes	Specialty Retail	986

¹ As tenant fit-out continues and recertification of square footage is completed, either the Aggregate Rentable Square Footage or the individual rentable square footage amounts listed in the chart above may change.

² This Tenant filed for bankruptcy during the second quarter of 2008. The Tenant was purchased by a group called COLORADO BAG 'N BAGGAGE LLC, a Colorado limited liability company, ("Colorado BNB"). LUK-MB1 is, as of the date hereof, finalizing modified terms to the lease for Bag N' Baggage, expects that Colorado BNB will assume the lease with the revised terms during the third quarter and further expects that the related store will open under the Bag N' Baggage name, although with the different ownership as described above, during the third quarter of 2008.

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage ¹
Carlyle & Co. of Montgomery	Carlyle & Co.	Specialty Retail	2,750
Chico's FAS, Inc.	Chico's	Fashion Retail	4,432
Coldstone Creamery Leasing Company, Inc.	Cold Stone Creamery	Restaurant	1,300
Coldwater Creek, Inc.	Coldwater Creek	Fashion Retail	5,966
Cooperative Bank	Cooperative Bank	Specialty Retail	2,528
Divine Dining Group, Inc.	Divine Prime and Roy & Sids	Restaurant/Bar	7,782
Divine Dining Group, Inc.	Ultimate California Pizza	Restaurant/Bar	3,801
Dulce Lusso, LLC	Dulce Lusso	Specialty Retail	3,500
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
LUK-MBI, LLC	Management Office	Service	3,328
LUK-MBI, LLC	Leasing Office	Service	2,995
LUK-MBI, LLC	Sales Office	Service	6,921
Market Common Cinema, LLC	Consolidated Theaters	Theaters	51,941
Nexsen Pruettt	Nexsen Pruettt	Service	5,787
P&F, Inc.	Copper Penny	Fashion Retail	1,901
P&F, Inc.	Copper Penny Shooz	Fashion Retail	1,584
P.F. Chang's China Bistro, Inc.	PF Chang's China Bistro	Restaurant/Bar	6,600
Piggly Wiggly Holdings, LLC ³	Piggly Wiggly	Grocery	43,765
Resort Quest Myrtle Beach, LLC	Resort Quest	Specialty Retail	746
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
TGC Enterprises, Inc. ⁴	Planet Beach Tanning Spa	Specialty Retail	1,843
Victoria's Secret Stores, LLC	Victoria's Secret	Specialty Retail	7,968
The Orvis Company	Orvis Sports	Specialty Retail	10,198
Tommy Bahama R&R Holdings, Inc.	Tommy Bahama's	Specialty Retail	12,458

³ See Recent Developments, *infra*.

⁴ The Possession Date for TGC Enterprises, Inc. for Planet Beach Contempo Spa was March 30, 2008, however, this Tenant has refused to occupy the space. As of June 30, 2008, Tenant did not occupy the space and had not paid rent as required by the terms of its lease. Landlord continues to pursue all of its rights and remedies under the lease and the guaranty thereof to recover all monies due and owing under the lease. Planet Beach Contempo Spa is not a required named tenant to satisfy any co-tenancy requirements of any of the other Tenants but is included in certain operating co-tenancy requirements of certain other Tenants (for a discussion of operating co-tenancy requirements, see Recent Developments, *infra*).

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage ¹
Toy Isle LLC ⁵	Toy Isle	Specialty Retail	2,000
Travinia Italian Kitchen at Myrtle Beach, LLC	Travinia Italian Kitchen	Specialty Retail	6,357
White House Black Market, Inc.	White House Black Market	Fashion Retail	3,000
Williams-Sonoma Stores, Inc.	Williams Sonoma	Specialty Retail	6,000
Williams-Sonoma Stores, Inc.	Pottery Barn	Fashion Retail	12,389
Withers Preserve Management Company, LLC	RWO Sales Center	Specialty Retail	1,505
X treme Surf Company, LLC	X treme Surf and Skate	Specialty Retail	1,311

b. Residential Leasing:

Marketing of the residential units in Phase I of the Market Common Development continued during the second quarter of 2008.

The number of apartment units comprising the Phase I residential continues to be the 195 apartments set forth in the Limited Offering Memorandum. Of these 195 units, 81 have been designated for short term vacation rentals and 114 have been designated for long term rentals (i.e., lease terms of a year). As of June 30, 2008, 37 long term leases have been executed and 28 of these tenants have commenced their occupancy. Occupancy of these units began in May 2008. An average of twenty percent (20%) of the units designated for short term vacation rentals were rented and occupied during the month of June 2008. Occupancy of these units 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.

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

As of June 30, 2008, LUK-MB1 is working on punchlist items and public dedication as set forth in more detail in the response to Item 1 above.

6. Legislative, Administrative or Judicial Challenges:

To the actual knowledge of LUK-MB1, as of June 30, 2008, there had been no legislative, administrative or judicial challenges to the construction of Phase I of the Market Common Development or the validity of the duly recorded plat or other public approvals.

⁵ See Recent Developments, *infra*.

7. Notice of Default in Construction Loan:

As of June 30, 2008, LUK-MB1 had not received formal written notice of its default under any construction loan that finances any part of the Market Common Development.

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

As of June 30, 2008, there had been no material amendments or supplements to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

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

As of June 30, 2008, LUK-MB1 had not been informed of any default with respect to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

10. Statement Regarding 2006B Bonds:

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

As of June 30, 2008, the total amount drawn under the 2006B Bond Purchase Agreement was \$5,397,882, which amount was drawn in full by LUK-MB2. As of June 30, 2008, LUK-MB1 had not drawn under the 2006B Bond Purchase Agreement, but expects to at the beginning of the third quarter of 2008. See, however, Recent Developments, *infra*.

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

As of June 30, 2008, LUK-MB1 had not been informed of any default by the City or the bond purchaser under the 2006B Bond Purchase Agreement.

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

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

LUK-MB2, LLC REPORT AS OF JUNE 30, 2008

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

None

2. Status of Completion, including material changes to the plan of completion, of each of the following:
 - a. Phase II of the Market Common Development and related improvements described in the sections of the Limited Offering Memorandum entitled “THE MARKET COMMON DEVELOPMENT AND MARKET COMMON DEVELOPERS – The Market Common Development” and “Phase II”:

As described in Part I, Item 2a above, since the date of closing on the Series 2006A Bonds, there have been several approved amendments to the Master Plan for the Market Common, Myrtle Beach (as amended through March 31, 2008, the “Fifth Amended Master Plan”). The following table shows the totals of Phase II housing units set out in the Fifth Amended Master Plan as of June 30, 2008:

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

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

Specifically, the Work for tract R-6 (Parcels 205, 206 and 207) had commenced and was substantially completed during the first quarter of 2008. The Work on Sharpe Lane was substantially completed during the second quarter of 2008. LUK-MB2 expects the City to review the public dedication and related documents during the third quarter of 2008, with dedication of the Work expected in the same quarter.

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 will be dedicated concurrently with Phase I as described below.

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 will be dedicated concurrently with Phase I as described below.

Re-designed to reflect adjustments in the water and sewer design of the civil design plans for tract R-1 (Parcel 239) were submitted to the City during the second quarter of 2008. LUK-MB2 anticipates approval of these plans during the third quarter of 2008.

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 tract R-11 is substantially completed and Work for R-8 is progressing according to schedule. Civil design plans for tract R-12 have been submitted and work has not yet commenced for tracts R9, R10, R13 and Golf Holiday.

A contract for the horizontal work for tract R-8 (Parcel 255) was awarded to Weaver Corporation, Inc. ("Weaver") during the second quarter of 2008. The horizontal work commenced during the second quarter of 2008, is progressing according to schedule, and is expected to be completed during the fourth quarter of 2008.

Civil design plans for tract R-12 (Parcels 259, 260, 261 & 262) were submitted in the first quarter of 2008 and approval is expected during the third quarter of 2008.

The process of delivering and dedicating the public internal streets for tracts R-4, R-6/C-5, R-5/C-3, and R-11 to the City has been delayed until the Phase I 2006 Redevelopment Projects have been dedicated to the City; as such, as of June 30, 2008, the dedication of these streets was expected to be completed at the end of the third quarter of 2008.

As of June 30, 2008, LUK-MB2 anticipated that as construction continues and additional contracts are awarded, there may be some change to the projected private costs of Phase II as a result of re-design and unit composition changes to tracts R-1, R-8 and R-12 as a result of the Third and Fourth Amended Master Plans (as such terms are used in and as further described in the fourth quarter of 2007 Developers' Continuing Disclosure Statement) approved during the fourth quarter of 2008. As of June 30, 2008, although a contract has been executed in connection with R-8 for a cost that was higher than projected,

because all the parcels in Phase II have not yet been bid, the impact on the overall private budget for Phase II continues 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 June 30, 2008, the development plan for the Phase II 2006 Redevelopment Projects has not changed since the adoption of the Second Amended Master Plan which resulted in the removal of two surface parking lots comprising part of the Phase II 2006 Redevelopment Projects.

The Phase II North site work - which includes Iris Avenue (now known as Iris Street ["Iris"]), England Street (now known as Hendrick Avenue ["Hendrick"]) and Gunnery Street (now known as Carlson Lane ["Carlson"]), portions of Wainwright Avenue (now known as Johnson Street ["Johnson"], Howard Avenue, Hackler Street), in each case including, but not limited to, sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures is substantially completed and approved for use by DHEC. The 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 has been delayed until the Phase I 2006 Redevelopment Projects have been dedicated to the City; as such, as of June 30, 2008, the dedication of the Phase II streets was expected to be completed at the end of the third quarter of 2008.

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 Kruzell 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 has been delayed until the streets comprising the Phase I 2006 Redevelopment Projects and other Phase II 2006 Redevelopment Projects to the City have been dedicated to the City; as such, as of June 30, 2008, the dedication of the Phase II streets was expected to be completed at the end of the third quarter of 2008.

With regard to the Phase II South B, C and D site work (which includes all roads in Phase II South but not those included in Phase II South A), a contract was awarded to Weaver during the fourth quarter of 2007 and construction commenced in the first quarter of 2008. As of June 30, 2008, LUK-MB2 expected construction to be completed in the third or fourth quarter of 2008.

As of June 30, 2008, 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, 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 permits for the Phase II site work for tract R-8 (see description above) were issued during the second quarter of 2008. Site permits for tracts R-1 and R-12 (see description above) are expected to be received during the third quarter of 2008.

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

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

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 were entered into during the second quarter of 2008. As of June 30, 2008, each and every lot and parcel within Phase II of the Market Common Development is under contract to be sold to either Market Common Townhome, Inc. ("MCTI") or RWO Acquisitions, LLC ("RWO").

On May 9, 2008, LUK-MB2 closed on the sale of Lots through 22 in tract R11 (Parcels 241, 242 and 244) to MCTI. LUK-MB2 has no further development obligations regarding these Lots.

On May 21, 2008, LUK-MB2 closed on the sale of Lots 10 through 16 and 40 through 44 in tract R5 (Parcels 220 through 225) to MCTI. LUK-MB2 has no further development obligations regarding these Lots.

b. Status of any Phase II Vertical Development Activity:

As of June 30, 2008, LUK-MB2 did not plan to do any vertical improvements in Phase II of the Market Common Development.

6. Legislative, Administrative or Judicial Challenges:

To the actual knowledge of LUK-MB2, as of June 30, 2008, there had been no legislative, administrative or judicial challenges to the construction of Phase II of the Market Common Development or the validity of the duly recorded plan or other public approvals.

7. Notice of Default in Construction Loan:

As of June 30, 2008, LUK-MB2 had not received formal written notice of its default under any construction loan that finances any part of the Market Common Development. LUK-MB2 is not party to any construction loan financing for any part of the Market Common Development.

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

As of June 30, 2008, there had been no material amendments or supplements to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

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

As of June 30, 2008, LUK-MB2 had not been informed of any default with respect to the Development Agreement, the Infrastructure Purchase Agreement or the TIF Agreement.

10. Statement Regarding 2006B Bonds:

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

As of June 30, 2008, the total amount drawn under the 2006B Bond Purchase Agreement was \$5,397,882, which amount was drawn in full by LUK-MB2. As of June 30, 2008, LUK-MB1 had not drawn under the 2006B Bond Purchase Agreement, but expects to at the beginning of the third quarter of 2008. See, however, Recent Developments, infra.

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

As of June 30, 2008, LUK-MB2 had not been informed of any default by the City or the bond purchaser under the 2006B Bond Purchase Agreement.

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

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

LUK-MB5, LLC REPORT AS OF JUNE 30, 2008

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

None

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

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

Since the date of closing on the Series 2006A Bonds, five (5) amendments to the Master Plan for the Market Common, Myrtle Beach (the “Original Master Plan”) have been adopted by the City; none of which have resulted in changes to Phase IA of the Market Common Development.

Construction has not begun on Phase IA. However, LUK-MB5 has prepared a site plan for Phase IA. As of June 30, 2008, this site plan was consistent with the development plan for Phase IA set out in the Limited Offering Memorandum. In prior Developers' Continuing Disclosure Statements, it was disclosed that the then-current site plan included approximately 181,000 rentable square feet of space ("RSF"). As of June 30, 2008, LUK-MB5 did not expect the RSF for Phase IA to increase from the 175,000 RSF set out in the Limited Offering Memorandum. The site plan of Phase IA will likely continue to change depending on market opportunities and conditions and the suitability and/or leasability of the 6.3 Acre Site and resolution of issues in connection therewith as discussed below. As of June 30, 2008, LUK-MB5 was uncertain of the impact, if any, 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:

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, 2008, LUK-MB5 did not anticipate any material change in the projected cost of the Phase IA 2006 Redevelopment Projects.

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

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

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; therefore, as of June 30, 2008, the Purchaser desires to continue its lease of the 6.3 Acre Site rather than to purchase it until the matters regarding the environmental

condition of the 6.3 Acre Site and proposed remediation is resolved. There continues to be uncertainty as to how the situation with respect to the 6.3 Acre Site will be resolved, including whether the Purchaser will be able to lease the 6.3 Acre Site, whether either the Purchaser or the RDA will take any legal actions with respect to the situation. The Purchaser is, as of the date hereof, assessing its legal, development, project and other options, and intends to engage 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 and on timing of Phase IA of the Market Common Development.

During the second quarter of 2008, there have been no other changes in the ownership of any parcel in Phase IA of the Market Common Development.

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

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

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

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

- 4. Statement of Zoning Classification Changes:

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

- 5. Leasing, Contracts and Closed Sales:

- a. Retail Commercial or Residential Leasing Status:

As indicated in the Limited Offering Memorandum, commencement of Phase IA is not scheduled to occur until on or about the third quarter of 2008 and is projected to be largely driven by demand from third parties and, more recently, the timing and manner of resolution of the issues surrounding the 6.3 Acre Site described in Item 3a above. Construction is not anticipated to commence until following resolution of those issues and any resultant changes in the development plan for Phase IA. As of June 30, 2008, LUK-MB5 had begun marketing Phase IA to retailers; however, during the second quarter of 2008

there have not been any letters of intent or leases executed for Phase IA of the Market Common Development.

b. Lots Under Contract and Closed Sales:

No lots or parcels within Phase IA are under contract and no sale transactions have been closed within Phase IA.

c. Status of any Phase IA Vertical Development Activity:

Market conditions and opportunities at the time of the commencement of development of Phase IA will dictate whether LUK-MB5 will conduct any vertical development in Phase IA.

6. Legislative, Administrative or Judicial Challenges:

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

7. Notice of Default in Construction Loan:

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

PART III - SIGNIFICANT EVENTS

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

PART IV – RECENT DEVELOPMENTS

1. At the beginning of the second quarter of 2008, LUK-MB1 was informed by the project consultant for the City that he was of the opinion that the amount of Series 2006A Bonds remaining were insufficient to pay for the Phase I 2006 Redevelopment Projects and, as a result, an additional \$272,884 was needed to pay for the Phase I 2006 Redevelopment Projects. This holdback continues to be in place; however, the project consultant for the City has indicated that the reason for this holdback is because of a concern with chipping and movement of some of the brick pavers on Howard Street (the “Brick Paver Matter”). Testing of the brick pavers for determination as to cause of the movement has been completed and the architect for the project is expected to make a recommendation for the resolution of the Brick Paver Matter before the end of August 2008. In June 2008, LUK-MB1 sent in its draw request to the City in the amount of \$562,457.65. On July 23, 2008, LUK-MB1, with

the permission of the City, used \$444,947.52 of the proceeds of the Series 2006B Bond and \$117,510.13 of the proceeds of the Series 2006A Bonds to fund \$562,457.65 of expenditures needed for Phase I 2006 Redevelopment Projects. The project consultant for the City advised that until a permanent solution for the Brick Paver Matter is presented and completed, no further funding will be permitted under the Series 2006A Bonds.

Additionally, LUK-MB1 was informed by the project consultant for the City that he is of the opinion that it may be necessary for the City to hold back additional monies from the Series 2006A and/or 2006B Bonds to fund costs of 2006 Redevelopment Projects which may be deemed to be the subject of private use. These discussions are continuing and have not yet been concluded; however, if the City continues to hold back a portion of the Series 2006A Bonds until the Brick Paver Matter is resolved and if the City decides to hold back a portion of the Series 2006A and/or Series 2006B Bonds to fund private use areas, LUK-MB1 and/or LUK-MB2 may be required to contribute additional equity to complete the Phase I and Phase II 2006 Redevelopment Projects.

2. On July 16, 2008, Piggly Wiggly Holdings, LLC sent a notice stating that due to lower than projected sales volumes, it intends to cease operations at this store at the end of September 2008. Under the lease, the tenant is obligated to continue to pay rent. Since receipt of that notice by LUK-MB1, discussions have occurred between the tenant and LUK-MB1, during which LUK-MB1 has been advised that because of the slow down in the overall Myrtle Beach real estate market it has experienced lower sales than anticipated. There are indications that the tenant may be willing to stay open in the Market Common Development if certain adjustments to its lease are made, upon certain terms yet to be agreed upon. LUK-MB1 continues its dialogue with the tenant and, while the parties have not reached any agreement as of the date hereof, LUK-MB1 hopes to do so during the third quarter of 2008. This tenant's continuing operations are required to satisfy certain co-tenancy requirements of other Tenants in the Phase I retail and commercial areas of the Market Common Development, and so ceasing operations could have a material adverse impact on the retail and commercial component of the Market Common Development since a failure of such co-tenancy provisions could provide grounds for either payment of reduced rent, or the termination of certain leases by existing Tenants.

3. Toy Isle LLC sent notice dated August 8, 2008 to LUK-MB1 that it intended to vacate its leased premises and, on August 9, 2008, vacated such premises. A cessation of operations and lease termination are not permitted under the terms of its lease. LUK-MB1 intends to pursue all of its rights and remedies under the lease and to recover all monies due and owing under the lease and under a personal guarantee provided by the owners of Toy Isle LLC. Toy Isle LLC is not a named tenant in any co-tenancy requirements of any other Tenants but is included in the overall leasable area of the retail and commercial component of the Market Common Development and, thus, could have a material adverse impact on certain Tenants' co-tenancy

requirements that are based on a percentage of that total leasable area being open for business.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, we have hereunto set our hands as of this 14th day of August, 2008.

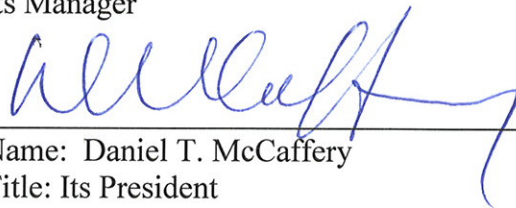
With respect to the Part I Periodic Report of LUK-MB1, LLC and Part II:

LUK-MB1, LLC,
a Delaware limited liability company

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

By: McMYRTLE LLC,
Its Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager



Name: Daniel T. McCaffery
Title: Its President

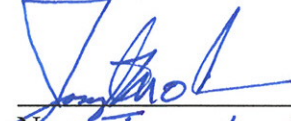
[ADDITIONAL SIGNATURE PAGE FOLLOWS]

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-MB2, LLC and Part II:

LUK-MB2, LLC,
a Delaware limited liability company

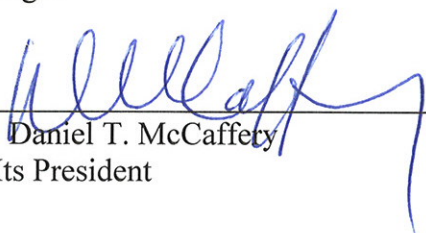
By: LUK-MYRTLE BEACH, LLC,
Its Co-Managing Member

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-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