

\$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 September 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 September 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 SEPTEMBER 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”:

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

Construction of the Phase I private vertical improvements continues and progresses according to schedule. As of September 30, 2007, foundation and footing permits had been obtained for a total of ten (10) buildings. As of September 30, 2007, shell/building permits had been issued for fifteen (15) buildings, including one (1) for Market Common Cinema, LLC (“MCC”), which is completing the construction of its own building and tenant improvements, and one (1) for Piggly Wiggly Holdings, LLC (“Piggly Wiggly”). It was mistakenly reported in the Developers’ Continuing Disclosure Statement as of June 30, 2007 that Piggly Wiggly would be completing the construction of its own building and tenant improvements. Rather, as of September 30, 2007, LUK-MB1 had executed a general contract with Newton Builders, Inc. for construction of the building in which the Piggly Wiggly store will be located. LUK-MB1 continues to anticipate needing shell/building permits for an additional six (6) buildings, of which one (1) is expected to be received by P.F. Chang’s China Bistro, Inc. (“PF Changs”) during the fourth quarter of 2007; PF Chang’s is also constructing its own building and tenant improvements.

Residential upfit permits had been received for seven (7) buildings. As of September 30, 2007, LUK-MB1 did not anticipate needing any additional residential upfit permits.

The issuance of all of the above referenced permits, together with the substantial completion of the pad grading for Phase I, has allowed the footings and foundation work and other additional vertical work for these buildings to 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. Further, the Phase I landscaping package, including, but not limited to, landscaping, irrigation, electrical, water features, structures and pergolas, site furnishings, masonry screen walls and sidewalks, was approved by the City of Myrtle Beach and the work is progressing according to schedule.

A contract for the building of R2A, the office building, was awarded to Hay Construction Company on September 13, 2007. A footing permit was issued by the City on September 14, 2007. Footing and foundation work commenced on September 14, 2007. A shell and core permit is expected to be received during the fourth quarter of 2007.

Based on the contracts awarded to date and updated budget projections, as of September 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 in proceeds of the Phase I Loans. As of September 30, 2007, \$35,447,220 of this projected required equity amount had been expended on costs of the Phase I private vertical improvements to be built by LUK-MB1 as well as \$19,000,000 in proceeds of the Mezzanine Loan and \$3,838,464 in proceeds of the Senior Loan.

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

There have been no material changes to the development plan for the Phase I 2006 Redevelopment Projects. The contractors have completed site and utility demolition, water and wastewater collection relocation, storm drainage relocation, asphalt paving removal, concrete sidewalk removal, and building demolition, and are working on the landscaping plan (described in Item 2a above) pursuant to contracts with LUK-MB1. The work to be performed under these contracts is progressing according to schedule. The process of delivering and dedicating these public areas to the City of Myrtle Beach is progressing.

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

second quarter of 2007 and vertical construction is progressing according to schedule.

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. Vertical construction of this garage commenced during the third quarter of 2007 and is progressing according to schedule.

As of September 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 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 September 30, 2007, all required Phase I site, demolition and relocation permits were obtained. Foundation and footing permits have been obtained for a total of ten (10) buildings. As of September 30, 2007, shell/building permits had been issued for fifteen (15) buildings, including, but not limited to, the parking garages known as P1 and P2, and residential upfit permits had been received for seven (7) buildings, as further described in Item 2a above. LUK-MB1 is building the parking garages known as P1 and P2 and, as described in Item 2b above. Construction by LUK-MB1 of the portions of each of the Phase I buildings, except tenant spaces that LUK-MB1 is not obligated to build (as more fully set forth below), continues.

Pursuant to the terms of the leases between LUK-MB1 and PF Changs and MCC, respectively, LUK-MB1 is obligated to deliver to these tenants a land parcel and building pad with coordinated utility services, on which the tenants will construct the vertical improvements. The pads have been certified after being tested for and passing moisture and compaction requirements. LUK-MB1 delivered a completed pad to MCC during the month of June 2007 and expects to deliver a completed pad to PF Changs in the fourth quarter of 2007. Both tenants have applied for building permits; MCC has received its permit. Construction by MCC commenced during the second quarter of 2007 and construction by PF Changs had not

yet commenced; however, it is anticipated that PF Changs will receive its building permit in the fourth quarter of 2007 and begin construction in that quarter.

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 Amendments described herein.

As described in Item 2a above, the Second Amended Master Plan reflects a change to the retail/commercial mix of one building and a related adjustment to the number of parking spaces.

On August 31, 2007, the Developers submitted a third amendment to the Master Plan for the Market Common, Myrtle Beach (the “Proposed Third Amendment”). As of September 30, 2007, the City of Myrtle Beach Planning Commission approved the Proposed Third Amendment. Additionally, the Developers submitted a fourth amendment to the Master Plan for the Market Common, Myrtle Beach on September 21, 2007, revised on October 19, 2007 (the “Proposed Fourth Amendment”). As of September 30, 2007, no voting by the City Council for the City of Myrtle Beach had taken place with respect to either the Proposed Third Amendment or Proposed Fourth Amendment; however, readings are scheduled and approval of both is expected during the beginning of the fourth quarter of 2007. Neither the Proposed Third Amendment nor the Proposed Fourth Amendment would, if adopted, result in any changes to Phase I that would be in addition to the changes imposed as a result of the Second Amended Master Plan.

4. Statement of Zoning Classification Changes:

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

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

a. Commercial and Retail Leasing Status:

As a result of the adoption of the Second Amended Master Plan, the estimated total retail, commercial and office rentable space of Phase I (the "Aggregate Rentable Square Footage") within the Market Common Development is approximately 389,688 square feet. As construction of Phase I continues, the Aggregate Rentable Square Footage may change. Retail, commercial and office leasing activity remains strong and is encompassing a broad tenant mix.

As of September 30, 2007, LUK-MB1 had executed leases for approximately 72.87% of the Aggregate Rentable Square Footage. Additionally, as of September 30, 2007, LUK-MB1 had executed letters of intent with prospective retail, commercial or office tenants which would account for an additional approximately 6.01% of the Aggregate Rental Square Footage. Including letter of intent negotiations, as of September 30, 2007, the status of retail, office and commercial leasing and lease negotiations (expressed as percentages of Aggregate Rentable Square Footage) can be summarized as follows:

Leases executed:	72.87%
Executed letters of intent:	6.01%
Letter of intent negotiations:	8.94%
Total Aggregate Rentable Square Footage committed:	87.82
Total percentage of remaining Aggregate Rentable Square Footage:	12.18%

As of September 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 ¹
Anthropologie, Inc. ²	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

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

² There is a dispute between LUK-MB1 and Anthropologie, Inc. ("Anthropologie"), that could result in the termination of the Anthropologie lease. Landlord continues to use best efforts to resolve this dispute favorably. Interaction between Anthropologie and its consultants and LUK-MB1 continues regarding the design and building of the leased premises and construction activity continues. A permit for the premises was approved on August 14, 2007.

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage ¹
Blue Mer, Inc.	Blue Mer	Specialty Retail	2,693
Ferdon Brothers, Inc.	Booty Outdoor Wear	Specialty Retail	2,200
Carlyle & Co. of Montgomery	Carlyle & Co.	Specialty Retail	2,750
Chico's FAS, Inc.	Chico's	Fashion Retail	4,432
Coldstone Creamery Leasing Company, Inc.	Cold Stone Creamery	Restaurant	1,300
Coldwater Creek, Inc.	Coldwater Creek	Fashion Retail	5,966
Divine Dining Group, Inc.	Divine Steakhouse	Restaurant/Bar	7,782
Divine Dining Group, Inc.	Ultimate California Pizza	Restaurant/Bar	3,801
Handpicked, Inc.	Handpicked	Specialty Retail	1,558
Izzy-B, LLC	Izzy B	Fashion Retail	1,809
Jake and Company, Inc.	Jake and Company	Specialty Retail	2,042
LUK-MBI, LLC	Management Office	Service	3,324
Market Common Cinema, LLC	Consolidated Theaters	Theaters	51,941
Nexsen Pruett	Nexsen Pruett	Service	5,787
P&F, Inc.	Copper Penny	Fashion Retail	1,901
P&F, Inc.	Copper Penny Shooz	Fashion Retail	1,584
P.F. Chang's China Bistro, Inc.	PF Chang's China Bistro	Restaurant/Bar	6,600
Piggly Wiggly Holdings, LLC	Piggly Wiggly	Grocery	43,765
Retail Brand Alliance, Inc.	Brooks Brothers Country Club	Fashion Retail	2,225
Soma by Chico's, LLC	Soma by Chico's	Fashion Retail	2,617
Sunglass Hut Trading Corporation	Luxotica	Specialty Retail	900
TGC Enterprises, Inc.	Planet Beach Tanning Spa	Specialty Retail	1,843
Bath and Body Works, LLC	Bath and Body Works	Specialty Retail	3,555
Victoria's Secret Stores, LLC	Victoria's Secret	Specialty Retail	7,968
The Orvis Company	Orvis Sports	Specialty Retail	10,198
Tommy Bahama R&R Holdings, Inc.	Tommy Bahama's	Specialty Retail	12,458
Toy Isle LLC	Toy Isle	Specialty Retail	2,000
Travinia Italian Kitchen at Myrtle Beach, LLC	Travinia Italian Kitchen	Specialty Retail	6,357
White House Black Market, Inc.	White House Black Market	Fashion Retail	3,000
Williams-Sonoma Stores, Inc.	Williams Sonoma	Specialty Retail	6,000
Williams-Sonoma Stores, Inc.	Pottery Barn	Fashion Retail	12,389
Withers Preserve Management Company, LLC	RWO Sales Center	Specialty Retail	1,505

b. Residential Leasing:

Planning and marketing for residential leasing have begun; however, acceptance of reservations and pre-leasing is not expected to begin until the fourth quarter of 2007 and actual leasing of units is not expected to begin until the start of the first quarter of 2008. 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 September 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 September 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 September 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 September 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 September 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 September 30, 2007, the total amount drawn under the 2006B Bond Purchase Agreement was \$2,759,163, which amount was drawn in full by LUK-MB2. As of September 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 September 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 SEPTEMBER 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 described in Part I, Item 1a above, since the date of closing on the Series 2006A Bonds, there have been several approved amendments to the Master Plan for the Market Common, Myrtle Beach (the “Original Master Plan”). During the third quarter of 2007, an amendment was adopted by the Myrtle Beach City Council on July 10, 2007 by Ordinance No. 2007-41, which amendment allowed, in part, for the following changes from the Original Master Plan in relation to Phase II: a further increase in the number of townhomes by 60 units, resulting in a cumulative increase of 39 units from the 866 units projected in the Limited Offering Memorandum to 905 units (the Original Master Plan, as amended through July 10, 2007, the “Second Amended Master Plan”). It was mistakenly reported in the Continuing Disclosure Statement for the second quarter of 2007 that, upon approval of the Second Amended Master Plan, the number of townhomes would increase by 149 units; in fact, 89 of those units were not additional townhomes, but rather, townhomes that were designated as live/work townhomes. Of the approved 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 September 30, 2007, LUK-MB2 expects the closing for the MBGH Property to occur during the month of January 2008.

Approval of the Second Amended Master Plan also allowed for a decrease in retail/commercial office space in Phase II from the approximately 34,700 rentable square feet set forth in the Limited Offering Memorandum to approximately 10,400 rentable square feet.

Finally, the Second Amended Master Plan incorporates changes to parking to support both the increase in the residential and decrease in the retail components of the Phase II vertical development, including the removal of two (2) public parking lots and increasing the number of residential parking spaces.

As also described under Item 3c below, an amendment to the Second Amended Master Plan was presented to the City of Myrtle Beach on August 31, 2007 (the "Proposed Third Amendment"). If approved, the Proposed Third Amendment would allow for the following changes to the Second Amended Master Plan: reducing the number of condominium buildings from four (4) to three (3) buildings by combining two (2) four-story condominium buildings into a single five-story building in tract C5/R6, but not reducing the total number of condominium units, and decreasing the number of townhomes by six (6) units resulting in an overall reduction in townhome units from 994 to 988. As of September 30, 2007, the City of Myrtle Beach Planning Commission approved the Proposed Third Amendment.

Further described under Item 3c below, the Developers submitted a fourth amendment to the Master Plan for the Market Common, Myrtle Beach to the City of Myrtle Beach on September 21, 2007, revised on October 19, 2007 (the "Proposed Fourth Amendment"). If approved by City Council, the Fourth Proposed Fourth Amendment would allow for the following changes from the Second Amended Master Plan: removal of two (2) condominium buildings containing 100 total units from tract R1 and four (4) condominium buildings containing 200 total units from tract R8 resulting in the reduction of the total number of condominium units from 575 to 275. Further, if approved, this amendment would allow for an addition of 22 luxury townhome units in tract R1, 50 luxury townhome units in tract R8, removal of 166 "parked under" townhomes and addition of 95 "garden" townhome units in tract R12 resulting in the decrease in the total number of townhome units from 905 from the Second Amended Master Plan to 900 units (inclusive of the reduction of six units by the Third Proposed Amendment, if approved by City Council). Additionally, this Proposed Fourth Amendment, if approved, would allow for the decrease in 207 parking spaces related to the decrease in the number of condominium units. Lastly, it would allow for a roadway connection to be built.

The following tables shows the totals of Phase II housing units, and associated parking spaces, assuming adoption of both the Proposed Third Amendment and Proposed Fourth Amendment as compared to the

projected housing units in the Limited Offering Memorandum and the Second Amended Master:

Type of Unit	Assuming Third and Fourth Amendments Adopted	Second Amended Master Plan	Limited Offering Memorandum
Townhomes	900	905	866
Condominiums	275	575	575

As of September 30, 2007, no voting by the City Council for the City of Myrtle Beach had taken place with respect to either the Proposed Third Amendment or Proposed Fourth Amendment; however, readings are scheduled and approval of both is expected during the beginning of the fourth quarter of 2007.

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 was received on August 31, 2007. The redesign of tract R-6 is the subject of the Proposed Third Amendment described above. A contract for horizontal work is expected to be awarded to Weaver Corporation, Inc. (“Weaver”) and construction completed during the fourth quarter of 2007.

Civil permits for tract R5/C3 were received from the City of Myrtle Beach on August 31, 2007. A contract for the horizontal work on tract R5/C3 was awarded to Weaver and the work to be completed under this contract commenced on October 5, 2007. Horizontal improvement work is expected to be completed for tract R5/C3 in the fourth quarter of 2007.

The horizontal improvement work is substantially completed for Lots 1 through 54 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). 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 September 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 Proposed Third Amendment and Proposed Fourth Amendments approved, the projected private costs of Phase II may change.

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

As of September 30, 2007, the development plan for the Phase II 2006 Redevelopment Projects has changed. As a result of the approval of the Second Amended Master Plan, two surface parking lots comprising part of the Phase II 2006 Redevelopment Projects, which parking lots were meant to serve the four (4) retail buildings removed from Phase II, are no longer being built. Where 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 substantially completed. The process of delivering and dedicating these public streets to the City of Myrtle Beach is expected to be completed during the fourth quarter of 2007 or first quarter of 2008.

With regard to the Phase II North parcels (which include Parcels 201 through 239), a contract for installation of sanitary sewer, storm sewer, water lines and road work for tract R4, including parcels 209, 211, and 212, was awarded to Weaver 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 and executed on March 23, 2007. This work was substantially completed in the second quarter of 2007. Further, a contract for installation of sanitary sewer, storm sewer, water lines and road work for tract R5/C3, including parcels 222, 223, 224 and 225, will be awarded to Weaver during the fourth quarter of 2007. This work is expected to be substantially completed in the fourth quarter of 2007. Lastly, contracts are being negotiated for installation of sanitary sewer, storm sewer, water lines and road work for tract R6, with an expectation that this contract will be executed in the fourth quarter of 2007.

With regard to the Phase II South A site work - which includes portions of Forrester Street (now known as Murray Avenue ["Murray"]), portions of Tillman Street (now known as Pancho Street ["Pancho"]) and portions of Johnson Avenue, and Kruzel Street), in each case including, but not limited to, sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures is substantially completed. The process of delivering and dedicating these public streets to the City of Myrtle Beach is expected to be completed during the fourth quarter of 2007 or first quarter of 2008.

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 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 September 30, 2007, based on the contracts awarded to such date and without regard to the proposed Amendments, LUK-MB2 continues to anticipate a decrease of \$2,003,830 in the projected cost of the Phase II 2006 Redevelopment Projects against the estimate therefor contained in the Limited Offering Memorandum. As construction continues, additional contracts awarded and Proposed Third Amendment and Proposed Fourth Amendments approved, 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). During the third quarter of 2007, site permits were obtained for the Phase II site work for tracts R6 and R5. There have been no additional permits obtained during the third quarter of 2007.

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

There have been no changes to the approvals for such portions of the Market Common Site as described in the following section of the Limited

Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – Zoning and Governmental Approvals", other than the approval and pending Proposed Third Amendment and Proposed Fourth Amendment as described both herein and in Item 2 above.

As described in Item 2a above, during the third quarter of 2007 the Myrtle Beach City Council approved the Second Amended Master Plan which resulted in changes in the development plan for the Market Common Development. Additionally, the Developers have submitted to the City to the Proposed Third Amendment and Proposed Fourth Amendment, each of which would result in additional changes to Phase II of the Market Common Development. As of September 30, 2007, no voting by the City Council for the City of Myrtle Beach had taken place with respect to either the Proposed Third Amendment or Proposed Fourth Amendment, however, the Proposed Third Amendment was approved by the Planning Commission during the third quarter of 2007. Readings are scheduled and approval of both is expected during the beginning of the fourth quarter of 2007.

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.

LUK-MB2 did not close on the sale of any Parcels during the third quarter of 2007.

b. Status of any Phase II Vertical Development Activity:

As of September 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 September 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 September 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 September 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 September 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 \$2,759,163, which amount was drawn in full by LUK-MB2. As of September 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 September 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 SEPTEMBER 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 described above in Part I, Item 2a above, the Second Amended Master Plan was adopted on July 10, 2007 by Ordinance No. 2007-41. The Second Amended Master Plan did not result in any changes to Phase IA.

Additionally, as described above in Part II, Item 2a above, a Proposed Third Amendment and Proposed Fourth Amendment were presented to the City of Myrtle Beach on August 31, 2007, and September 21, 2007, respectively. If approved, neither the Proposed Third Amendment nor the Proposed Fourth Amendment will result in any changes to Phase IA.

Construction has not begun on Phase IA. However, LUK-MB5 has prepared a site plan for Phase IA. As of September 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 September 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 July 10, 2007 approval of the Second Amended Master Plan and pending Proposed Third Amendment and Proposed Fourth Amendment, each as described in Item 2 above.

4. Statement of Zoning Classification Changes:

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

5. Leasing, Contracts and Closed Sales:

a. Retail Commercial or Residential Leasing Status:

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

b. Lots Under Contract and Closed Sales:

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

c. Status of any Phase IA Vertical Development Activity:

As indicated in Item 5a, as of September 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 15th day of November, 2007.

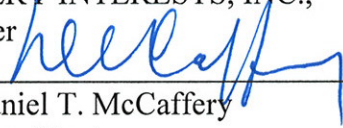
With respect to the Part I Periodic Report of LUK-MB1, LLC and Part II:

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



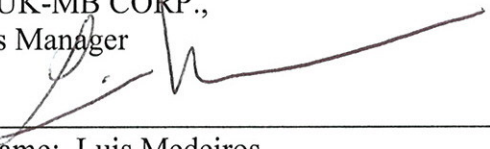
Name: Daniel T. McCaffery
Title: Its President

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:

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