

\$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, 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 September 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 SEPTEMBER 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.

Construction of the Phase I private vertical improvements were substantially completed during the third quarter of 2008 and Phase I of the Market Common, Myrtle Beach (retail and mixed use portion of the development) opened on April 3, 2008.

Certificates of occupancy have been issued for the buildings or vertical improvements known as P1, P2, A1, A2, A3, A4, A5, A6, A7, A8, R1A, R2A, R1B, PF Chang’s, Piggly Wiggly, and the Market Common Cinema. These final certificates of occupancy have allowed and will continue to allow the tenants with executed leases (the “Tenants”) for spaces within the Buildings (as defined below) to open for business on the dates set forth in their Leases. The buildings or vertical improvements known as P1, P2, A1, A2, A3, A4, A5, A6, A7, A8, R1A, R2A, R1B, PF Chang's, Piggly Wiggly, and the Market Common Cinema are collectively referred to as the “Buildings”.

The projected total cost for the Phase I private vertical improvements excluding site acquisition costs set out in the Limited Offering Memorandum (“Total Phase I Improvement Costs”) was \$142,264,600. Based on construction costs determined as a result of the bidding process, the projected Total Phase I Improvement Costs were revised to \$149,585,713 (the “Phase I Improvement Cost Budget”). As of September 30, 2008, the actual Total Phase I Improvement Costs incurred were \$138,310,443. As of September 30, 2008, Senior Loan proceeds in the amount of \$81,998,999 as well as \$19,000,000 in proceeds of the Mezzanine Loan and \$36,852,980 in equity have been expended on the Total Phase I Improvement Costs. As of September 30, 2008, actual Total Phase I Improvement Costs in the amount of \$458,464 have not yet been funded; LUK-MB1 expects those costs to be funded during the fourth quarter of 2008. Any scope changes to the Phase I private vertical improvements contemplated when determining the Phase I Improvement Cost Budget that result in additional Total Phase I Improvement Costs will continue to be funded by additional equity.

- 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 and third quarters of 2008 to review punchlist items and any other outstanding matters related to public dedication and to review the Phase I 2006 Redevelopment Projects as completed. During the second quarter of 2008, LUK-MB1 completed the punchlist items requested by the City prior to public dedication; however, see Recent Developments regarding the Brick Paver and Sidewalk Ramp Matters to be resolved 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 September 30, 2008, the process of delivering and dedicating these public areas to the City was progressing, albeit slower than originally anticipated, with dedication expected towards the end of the fourth quarter of 2008.

As of September 30, 2008, based on updated budget projections and information available to LUK-MB1, LUK-MB1 believes 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 has increased by \$388,233 as a result of expenses related to paying of change orders necessary to close out the construction contracts for the Phase I 2006 Redevelopment Projects and installation of bicycle racks and additional landscaping; the aggregate anticipated cost of the 2006 Redevelopment Projects increased from \$38,381,024 at the end of the second quarter of 2008 to \$38,769,247 at the end of third quarter of 2008. LUK-MB1 anticipates that the final cost of the Phase I 2006 Redevelopment Projects will reflect an increase over the projected cost after accounting for all change orders necessary to close out the construction contracts for the Phase I 2006 Redevelopment Projects, completion of punchlist items requested by the City and the Community Appearance Board required prior to dedication of the public parcels, and the fees and costs incurred in connection with dedication of the public parcels to the City.

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:

By 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 to be paid by the Tenants, therefore, these costs are not included in the projected cost figures for the Phase I vertical improvements in Item 1a above.

LUK-MB1 executed leases and delivered various retail spaces during the third quarter of 2008 and expects to execute additional leases and deliver additional retail spaces during the fourth quarter 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. Office and Retail Leasing Status:

The estimated total retail and office rentable space of Phase I (the “Aggregate Rentable Square Footage”) within the Market Common Development is approximately 386,758 square feet. As tenant fit-out continues and re-certification of square footage is completed, the Aggregate Rentable Square Footage may change. Retail and office leasing activity continues and encompasses a broad tenant mix.

As of September 30, 2008, LUK-MB1 had executed leases with Tenants for approximately 83.86% of the Aggregate Rentable Square Footage; the majority of the Aggregate Rentable Square Footage that remains available is in the office components of Phase I. Additionally, as of September 30, 2008, LUK-MB1 had executed letters of intent with prospective retail, commercial or

office tenants which would account for an additional approximately .007% of the Aggregate Rental Square Footage. Including letter of intent negotiations, as of September 30, 2008, the status of retail and office leasing and lease negotiations (expressed as percentages of Aggregate Rentable Square Footage) can be summarized as follows:

| | |
|--|--------|
| Leases executed: | 83.86% |
| Executed letters of intent: | .007% |
| Letter of intent negotiations: | .020% |
| Total Aggregate Rentable Square Footage committed: | 83.39% |
| Total percentage of remaining Aggregate Rentable Square Footage: | 16.61% |

As of September 30, 2008, LUK-MB1 held executed leases from the following Tenants for the Phase I retail or office 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 & Bidby, 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 |
| Bungalow Bailey's, Inc. ³ | Bungalow Bailey's | Specialty Retail | 2,000 |
| Wee. R. Sweetz, Inc | Canipes | Specialty Retail | 986 |
| Carlyle & Co. of Montgomery | Carlyle & Co. | Specialty Retail | 2,750 |
| Chico's FAS, Inc. | Chico's | Fashion Retail | 4,432 |
| 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 |

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"). Colorado BNB assumed the lease and the store opened under the Bag N' Baggage name during the third quarter of 2008.

³ See Recent Developments, infra.

| Tenant Name | Trade Name/Manager | Type of Use | Approximate Rentable Square Footage ¹ |
|---|------------------------------|------------------|--|
| Dixie Divas, LLC | Dixie Divas | Fashion | 2,881 |
| 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 |
| King Street Grille – Myrtle Beach, LLC | King Street Grille | Restaurant/Bar | 4,915 |
| Lazy Gator | Lazy Gator | Specialty Retail | 3,602 |
| LUK-MB1, LLC ⁴ | Management Office | Service | 3,328 |
| 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. ⁵ | PF Chang's China Bistro | Restaurant/Bar | 7,005 |
| Piggly Wiggly Holdings, LLC ⁶ | Piggly Wiggly | Grocery | 43,765 |
| KDSH Enterprises, LLC | Random | Fashion | 1,514 |
| Resort Quest Myrtle Beach, LLC ⁵ | Resort Quest | Specialty Retail | 489 |
| Resort Quest Myrtle Beach, LLC | Resort Quest | Specialty Retail | 2,121 |
| Retail Brand Alliance, Inc. | Brooks Brothers Country Club | Fashion Retail | 2,225 |
| Elkes Enterprises, Inc. | Rug Décor | Specialty Retail | 3,480 |
| Soma by Chico's, LLC | Soma by Chico's | Fashion Retail | 2,617 |
| Sunglass Hut Trading Corporation | Luxotica | Specialty Retail | 900 |
| Victoria's Secret Stores, LLC | Victoria's Secret | Specialty Retail | 7,968 |
| The Orvis Company | Orvis Sports | Specialty Retail | 10,198 |
| Tommy Bahama R&R Holdings, Inc. | Tommy Bahama's | Specialty Retail | 12,458 |
| Travinia Italian Kitchen at Myrtle Beach, LLC | Travinia Italian Kitchen | Specialty Retail | 6,357 |

⁴ LUK-,MB1, LLC, has terminated its leases for the Leasing Office space of 2,995 square feet and the Leasing Office Space of 6,921. Resort Quest Myrtle Beach, LLC, is the residential leasing agent for the Market Common – Myrtle Beach; therefore, LUK-MB1, LLC, determined that it did not need the Leasing Office. Maison Rouge has executed a letter of intent for the space previously under lease to LUK-MB1 for the Leasing Office and a lease is expected to be executed during the fourth quarter of 2008. Further, Lazy Gator has executed a lease for 3,602 square feet of the space previously leased by LUK-MB1 for the Sales Office. The remaining 3,320 square feet of the space previously leased by LUK-MB1 for the Sales Office remains vacant. Any sales duties will be handled by LUK-MB1 from the Management Office.

⁵ See Since June 30, 2008, PF Chang's China Bistro has increased the square footage being leased by 405 square feet (from 6,600 to 7,005), Resort Quest has decreased the square footage being leased by 257 square feet (from 746 to 489), and Pottery Barn has decreased the square footage being leased by 89 square feet (from 12,389 to 12,300).

⁶ See Recent Developments, infra.

| Tenant Name | Trade Name/Manager | Type of Use | Approximate Rentable Square Footage ¹ |
|---|--------------------------|------------------|--|
| 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. ⁵ | Pottery Barn | Fashion Retail | 12,300 |
| Withers Preserve Management Company, LLC | RWO Sales Center | Specialty Retail | 1,505 |
| X treme Surf Company, LLC | X treme Surf and Skate | Specialty Retail | 1,311 |

b. Residential Leasing:

Marketing of the residential units in Phase I of the Market Common Development continued during the third 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, 117 have been designated for short term vacation rentals and 78 have been designated for long term rentals (i.e., lease terms of a year). As of September 30, 2008, 49 long term leases had been executed and all of these tenants had commenced their occupancy. Occupancy of these units began in May 2008. An average of 28% of the units designated for short term vacation rentals were rented and occupied during the third quarter of 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 September 30, 2008, all Phase I private vertical development activity is substantially completed.

6. Legislative, Administrative or Judicial Challenges:

To the actual knowledge of LUK-MB1, as of September 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.

7. Notice of Default in Construction Loan:

As of September 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 September 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 September 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 September 30, 2008, the total amount drawn under the 2006B Bond Purchase Agreement was \$7,483,594, of which amount, \$6,121,337 was drawn by LUK-MB2 and \$1,362,257 was drawn by LUK-MB1. See Recent Developments, *infra*.

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

As of September 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 SEPTEMBER 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 as of September 30, 2008, as further set out in the Fifth Amended Master Plan:

| 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 plans have not 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) was substantially completed during the third quarter of 2008, documents related to public dedication of the public infrastructure on this parcel have been reviewed and approved by the City, punchlist item requested by the City have been completed and approved, and a substantial completion certificate has been issued by the project engineer, however, public dedication will not occur until after the closing on the sale of this parcel to a third party purchaser.

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. During the third quarter of 2008, the City reviewed and approved documents related to public dedication of the public infrastructure on this parcel, punchlist items requested by the City have been completed and approved, and a substantial completion certificate has been issued by the project engineer. Street and storm sewer will be dedicated to the City 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. During the third quarter of 2008, the City reviewed and approved documents related to public dedication of the public infrastructure on this parcel, punchlist items requested by the City have been completed and approved, and a substantial completion certificate in connection with the streets and storm sewers is expected during the fourth quarter of 2008 with street and storm sewer being dedicated to the City thereafter 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 and approved by the City during the third quarter of 2008. Permits necessary to complete construction of the horizontal improvements were issued during the third quarter of 2008.

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 approved, permits have been issued and Work is expected to commence at the end of the fourth quarter of 2008 or at the beginning of the first quarter of 2009. 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.

The water and sanitary sewer for tract R-11 (Parcels 241, 242, 243 & 244) was dedicated to the City during the third quarter of 2007 which allowed LUK-MB2 to tie into the system. During the third quarter of 2008, the City reviewed and approved documents related to public dedication of this parcel, the City punchlist has been completed and a substantial completion certificate has been issued by the project engineer. Street and storm sewer will be dedicated to the City concurrently with Phase I as described below.

Civil design plans for tract R-12 (Parcels 259, 260, 261 & 262) were submitted in the first quarter of 2008 and approved, with permits being issued, in the third quarter of 2008. Work is expected to commence at the end of the fourth quarter of 2008 or the beginning of the first quarter of 2009.

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

September 30, 2008, the dedication of these streets was expected to be completed at the end of the fourth quarter of 2008, since the process has turned out to be slower than originally anticipated.

As of September 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 September 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 September 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. During the second quarter of 2008, the City reviewed and approved documents related to public dedication of the public infrastructure on this parcel, the City punchlist had been completed and approved, and a substantial completion certificate had been issued by the project engineer. 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 September 30, 2008, the dedication of the Phase II streets was expected to be completed at the end of the fourth quarter of 2008, since the process has turned out to be slower than originally anticipated.

With regard to the Phase II South A site work - which includes portions of Forrester Street (now known as Murray Avenue ["Murray"]), portions of Tillman Street (now known as Pancho Street ["Pancho"]) and portions of Johnson Avenue, and Kruzel Street), in each case, including, but not limited to,

sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures is substantially completed and approved for use by DHEC. The water and sanitary sewer systems have been dedicated to the City. During the second quarter of 2008, the City reviewed and approved documents related to public dedication of the public infrastructure on this parcel, the City punchlist had been completed and approved, and a substantial completion certificate had been issued by the project engineer. 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 September 30, 2008, the dedication of the Phase II streets was expected to be completed at the end of the fourth quarter of 2008, since the process has turned out to be slower than originally anticipated.

With regard to the Phase II South B, C and E site work (which includes all roads in Phase II South except the roads adjacent to tract R-13 (known as Phase II South D) and those included in Phase II South A), a contract was awarded to Weaver during the fourth quarter of 2007 and construction commenced in the first quarter of 2008. The B and E contracts were substantially completed during the third quarter of 2008 with striping of roads and on-street public parking and installation of signage to be completed at the beginning of the fourth quarter of 2008. As of September 30, 2008 LUK-MB2 expected construction of the C contract to be completed in the fourth quarter of 2008. In prior disclosure statements, the status of the Phase II South E site work was mistakenly reported as Phase II South D site work and the status of the Phase II South D site work was not reported. With regard to the Phase II South D site work (which includes all public roads adjacent to tract R-13), contracts have not yet been sought and Work has not yet commenced.

As of September 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 the Phase II site work for tracts R-1 and R-12 (see description above) were 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.

On June 20, 2008, LUK-MB2 closed on the purchase of a .389 acre piece of land and a related 25' wide temporary easement to be used for the re-alignment of the Shine Avenue extension connecting the Phase I retail and commercial areas to existing Shine Avenue, which work is to be completed by LUK-MB2.

- b. Status of any Phase II Vertical Development Activity:

As of September 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 September 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 September 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 September 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 September 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 September 30, 2008, the total amount drawn under the 2006B Bond Purchase Agreement was \$7,483,594, of which amount, \$6,121,337 was drawn by LUK-MB2 and \$1,362,257 was drawn by LUK-MB1. See Recent Developments, *infra*.

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

As of September 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 Effecting 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 SEPTEMBER 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 September 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 September 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 September 30, 2008, LUK-MB5 was uncertain of the impact of the issues surrounding the 6.3 Acre Site and current market and economic conditions on the projected Phase IA development plan set forth in the Limited Offering Memorandum.

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

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, 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 September 30, 2008, the Purchaser will not purchase the 6.3 Acre Site and is considering whether or not to continue its lease of the 6.3 Acre Site 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 or chose to lease the 6.3 Acre Site and whether either the Purchaser or the RDA will take any legal actions with respect to the situation. The Purchaser is, as of the date hereof, is continuing to assess its legal, development, project and other options, and has engaged in some 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 and the viability of the 6.3 Acre Site. .

During the third 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 was 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. As such, construction did not commence during the third quarter of 2008 and is not anticipated to commence until following resolution of the issues surrounding the 6.3 Acre Site and any resultant changes in the development plan for Phase IA. As of September 30, 2008, LUK-MB5 continues marketing Phase IA to retailers; however, during the third 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, the City has held back \$444,947.50 of the Series 2006A Bond proceeds. This holdback continues to be in place and 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") and concern with uneven grading and movement in a number of the sidewalk ramps ("Sidewalk Ramp Matter"). Testing of the brick pavers for determination as to cause of the movement has been completed. LUK-MB1 intends to cause to have the brick pavers at issue to be replaced or repaired during the fourth quarter of 2008 and to cause to have any movement in the sidewalk ramps remediated during the fourth quarter of 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. In July 2008, LUK-MB1 sent in its draw request to the City in the amount of \$220,931.35. This draw was entirely funded in August 2008 by proceeds of the Series 2006B Bonds. In August 2008, LUK-MB1 sent in its draw request to the City in the amount of \$696,378.37. This draw was entirely funded in September 2008 by proceeds of the Series 2006B Bonds. In connection with the above-listed draws, LUK-MB1 has used \$1,362,257 of the proceeds from the Series 2006B Bonds. The project consultant for the City advised that, until permanent solutions for the Brick Paver Matter and the Sidewalk

Ramp Matter are 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 and Sidewalk Ramp Matters are resolved, if the City decides to hold back a portion of the Series 2006A and/or Series 2006B Bonds to fund private use areas, if the total costs of the 2006 Redevelopment Projects continue to increase, or if additional funds are required by the Senior Lenders, 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 September 15, 2008, Piggly Wiggly Holdings, LLC, and LUK-MB1, LLC, executed an amendment to the lease between the parties resulting in Piggly Wiggly agreeing to continue operations.

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. On September 10, 2008, Bungalow Bailey's, Inc., executed a lease for the space previously occupied by Toy Isle; Bungalow Bailey's, Inc. opened for business on October 1, 2008, in this space. A cessation of operations and lease termination are not permitted under the terms of the Toy Isle lease and, as a result, LUK-MB1 is pursuing all of its rights and remedies under the lease 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 was not a named tenant in any co-tenancy requirements of any other Tenants.

4. RWO (as defined in the LUK-MB2 Section of Part II at Section 5.a. above) and LUK-MB2, LLC, previously entered into a certain Amended and Restated Lot Sale and Option Agreement dated as of December 20, 2006, as amended by that certain First Amendment to and Partial Assignment of Amended and Restated Lot Sale Agreement dated as of April 27, 2007, with RWO and MB PROPERTY DEVELOPMENT III LLC ("MB"), as amended by that certain Second Amendment to Amended and Restated Lot Sale Agreement dated as of November 1, 2007 (said Lot Sale and Option Agreement, First Amendment and Partial Assignment and Second Amendment collectively are hereinafter referred to as the "Sale Agreement"). Under the terms of the Sale Agreement RWO was to purchase, among others, Lots 1 through 40 in tract R6 (Parcels 205, 206 and 207) (the "R6 Lots"). The closing for this purchase was scheduled for November 7, 2008. RWO did not come to the closing, and by letter dated November 7, 2008, (the "Letter") advised LUK-MB2 that the Purchaser does not intend to close on any purchase of lots under the Sale Agreement. The Letter further advised that MB Property Development III ("MB") is the successor to RWO and that all future notices under the Sale Agreement should be sent to MB.

Under the terms of the Sale Agreement, LUK-MB2 must provide the purchaser with 30 days notice to cure. LUK-MB2 has provided such notice to both RWO and MB and will pursue all rights and remedies available to it under the terms of the Sale Agreement if they do not close on the purchase of the R6 Lots by December 15, 2008. Further, MB previously purchased tract C-5 (Parcels 201 and 203) (the "C-5 Parcel"), which C-5 Parcel is to be improved with 128 condominiums. Under the terms of the Sale Agreement, MB was to commence construction of such condominiums on or before October 31, 2008. As of the date of the filing of this disclosure statement, construction of these condominiums has not yet commenced. LUK-MB2 is currently considering its rights and remedies under the terms of the Sale Agreement and applicable law; as of the date of the filing of this disclosure statement, LUK-MB2 has made no decision as to which, if any, remedies it intends to pursue with respect to the C-5 Parcel.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, we have hereunto set our hands as of this 13th day of November, 2008.

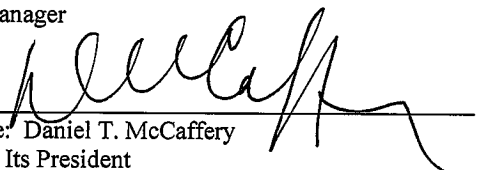
With respect to the Part I Periodic Report of LUK-MB1, LLC and Part II:

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:
Title:

By: McMYRTLE LLC,
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager



Name: Daniel T. McCaffery
Title: Its President

[ADDITIONAL SIGNATURE PAGE FOLLOWS]

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

LUK-MB2, LLC,
a Delaware limited liability company

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

By: LUK-MB, LLC,
Its Manager



Name: *Thomas E. MARR*
Title:

By: McMYRTLE LLC,
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager

Name: Daniel T. McCaffery
Title: Its President

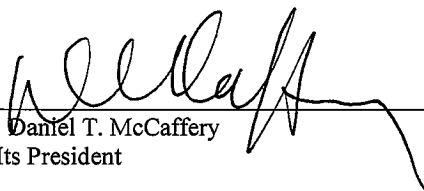
[ADDITIONAL SIGNATURE PAGE FOLLOWS]

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