

\$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 December 31, 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. All changes to street names in Phase I and Phase II of the Market Common, Myrtle Beach have been finalized; however, as of December 31, 2008, the streets have not yet been named in Phase IA.

Part II – PERIODIC REPORTS

LUK-MB1, LLC REPORT AS OF DECEMBER 31, 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.

In December 2008, the Developers submitted a sixth amendment to the Master Plan for the Market Common, Myrtle Beach (the “Proposed Sixth Amendment”) which amendment proposed to increase the maximum building coverage for Phase I from 97%, as permitted by the existing Master Plan, to 100%. As of December 31, 2008, the City of Myrtle Beach Planning Commission approved the Proposed Sixth Amendment, the first and second readings of the approving ordinance by the City are scheduled, and approval is expected early in the first quarter of 2009.

As previously reported, construction of the Phase I private vertical improvements was 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 all the vertical improvements in Phase I.

The projected total cost for the Phase I private vertical improvements excluding site acquisition costs set out in the Limited Offering Memorandum (“Total Phase I Improvement Costs”) was \$142,264,600. Based on construction costs determined as a result of the bidding process, the projected Total Phase I Improvement Costs were revised to \$149,585,713 (the “Phase I Improvement Cost Budget”). As a result of additional tenant improvement costs for existing Tenants that were not originally budgeted, the estimated Total Phase I Improvement Costs have been revised to \$152,813,029 (“Actual Total Phase I Improvement Costs”). As of December 31, 2008, the portion of the Actual Total Phase I Improvement Costs incurred and funded was \$147,700,856; the portion incurred and submitted for a draw which will be funded at the beginning of the first quarter of 2009 is \$2,517,976 and the remaining balance of the Actual Total Phase I Improvements Costs has not yet been incurred. As of December 31, 2008, Senior Loan proceeds in the amount of \$90,236,166, as well as \$19,000,000 in proceeds of the Mezzanine Loan and \$38,464,690 in equity have been expended on the Actual Total Phase I Improvement Costs. Any scope changes to the tenant improvements in the Phase I private vertical improvements that result in additional Actual 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 fourth quarter of 2008 to review outstanding matters related to public dedication and to review the Phase I 2006 Redevelopment Projects as completed. During the fourth quarter of 2008, the City agreed to permit the chipping and movement of some of the brick pavers on Howard Street (the "Brick Paver Matter") and uneven grading and movement in a number of the sidewalk ramps ("Sidewalk Ramp Matter") to be remediated subsequent to delivery and dedication of the Phase I 2006 Redevelopment Projects to the City by LUK-MB1 (the "Remediation of the Brick Paver and Sidewalk Matters"). LUK-MB1 expects to complete the Remediation of the Brick Paver and Sidewalk Matters during the first quarter of 2009. As of December 31, 2008, the process of delivering and dedicating the Phase I 2006 Redevelopment Projects to the City was completed.

As of December 31, 2008, based on updated budget projections and information available to LUK-MB1, LUK-MB1 believed that the previously-disclosed aggregate increase of \$1,655,470 in the projected cost of Phase I 2006 Redevelopment Projects against the estimate therefor contained in the Limited Offering Memorandum has increased by \$180,345 as a result of the final accounting for change orders necessary to close out construction contracts and additional work required by the Community Appearance Board to be completed prior to dedication of the public parcels for the Phase I 2006 Redevelopment Projects; the aggregate anticipated cost of the Phase I 2006 Redevelopment Projects increased from \$26,276,260 at the end of the third quarter of 2008 to \$26,456,605 at the end of the fourth quarter of 2008. It was reported in the Developers' Continuing Disclosure Statement for the third quarter of 2008 that the aggregated anticipated cost of the 2006 Redevelopment Projects (including Phases I, II and IA) was \$38,769,247 as of the end of the third quarter of 2008, which amount increased to \$38,949,592 by the end of fourth quarter of 2008.

- 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 with the exception of the parcels underlying the Phase I 2006 Redevelopment Projects dedicated to the City of Myrtle Beach during the fourth quarter of 2008.

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

All required Phase I permits have been obtained. Construction by LUK-MB1 of each of the Buildings (except tenant spaces that LUK-MB1 is not obligated to build pursuant to the executed leases) 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 the majority of the Tenants with leases executed prior to the end of the fourth 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 fourth quarter of 2008 and expects to execute additional leases and deliver additional retail spaces during the first quarter of 2009.

- 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 Proposed Sixth Amendment. As described in Item 2a above, the Proposed Sixth Amendment would allow an increase in maximum building coverage for Phase I of the Market Common, Myrtle Beach from 97% to 100% . Approval of the Proposed Sixth Amendment by the Myrtle Beach City Council is expected during the first quarter of 2009.

4. Statement of Zoning Classification Changes:

There have been no zoning classification changes for any parcel within Phase I of the Market Common Development other than the Proposed Sixth Amendment described herein. In conjunction with the Proposed Sixth Amendment, LUK-MB1 sought, for Phase I of the Market Common, Myrtle Beach, to amend Section 1222.6.3 of Appendix A of the Zoning Ordinance to increase the maximum building coverage allowed in C-6 zoning districts covered by the Market Common Master Plan from 97% to 100% (the "Proposed Zoning Amendment for Phase I"). Approval of the Proposed Zoning Amendment for Phase I is expected during the first quarter of 2009.

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 recertification 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 December 31, 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 December 31, 2008, LUK-MB1 had not obtained any additional executed letters of intent with prospective retail, commercial or office tenants. Including letter of intent negotiations, as of December 31, 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:	.0%
Letter of intent negotiations:	.009%
Total Aggregate Rentable Square Footage committed:	83.87%
Total percentage of remaining Aggregate Rentable Square Footage:	16.13%

As of December 31, 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
Anthropolgie, Inc.	Anthropolgie	Fashion Retail	12,000
Colorado Bag N’ Baggage, LLC.	Bag N’ Baggage	Fashion Retail	2,855
Banana Republic, LLC	Banana Republic	Fashion Retail	8,000
Barnes & Noble Booksellers,	Barnes & Noble	Books & Music	28,233

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.

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage ¹
Inc.			
Bath and Body Works, LLC	Bath and Body Works	Specialty Retail	3,567
Big River Breweries, Inc.	Gordon Biersch	Restaurant/Bar	8,846
Finley & Biddy, Inc.	The Big Tuna	Specialty Retail	1,119
Blue Mer, Inc.	Blue Mer	Specialty Retail	2,693
Ferdon Brothers, Inc.	Booty Outdoor Wear	Specialty Retail	2,200
Bungalow Bailey's, Inc.	Bungalow Bailey's	Specialty Retail	2,000
Wee. R. Sweetz, Inc	Canipes	Specialty Retail	986
Carlyle & Co. of Montgomery	Carlyle & Co.	Specialty Retail	2,750
Chico's FAS, Inc.	Chico's	Fashion Retail	4,432
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
Dixie Divas, LLC	Dixie Divas	Fashion	2,881
Dulce Lusso, LLC	Dulce Lusso	Specialty Retail	3,500
Edward Jones	Edward Jones	Service	877
Fossil Stores I, Inc.	Fossil	Fashion Retail	1,320
Francesca's Collections, Inc.	Francesca's Collections	Fashion Retail	1,293
Handpicked, Inc.	Handpicked	Specialty Retail	1,558
Izzi-b, LLC	Izzi-b	Fashion Retail	1,809
Jake and Company, Inc.	Jake and Company	Specialty Retail	2,042
JUGO Juice	JUGO Juice	Fashion Retail	1,079
Justice Stores, LLC	Justice for Girls	Specialty Retail	4,162
King Street Grille – Myrtle Beach, LLC	King Street Grille	Restaurant/Bar	4,915
Lazy Gator	Lazy Gator	Specialty Retail	3,602
LUK-MB1, LLC	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	PF Chang's China Bistro	Restaurant/Bar	7,005
Piggly Wiggly Holdings, LLC	Piggly Wiggly	Grocery	43,765
KDSH Enterprises, LLC	Random	Fashion	1,514
Resort Quest Myrtle Beach, LLC 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	Tommy Bahama's	Specialty Retail	12,458

Tenant Name	Trade Name/Manager	Type of Use	Approximate Rentable Square Footage ¹
Holdings, Inc.			
Travinia Italian Kitchen at Myrtle Beach, LLC	Travinia Italian Kitchen	Specialty Retail	6,357
White House Black Market, Inc.	White House Black Market	Fashion Retail	3,000
Williams-Sonoma Stores, Inc.	Williams Sonoma	Specialty Retail	6,000
Williams-Sonoma Stores, Inc.	Pottery Barn	Fashion Retail	12,300
Withers Preserve Management Company, LLC	RWO Sales Center	Specialty Retail	1,505
X treme Surf Company, LLC	X treme Surf and Skate	Specialty Retail	1,311

b. Residential Leasing:

Marketing of the residential units in Phase I of the Market Common Development continued during the 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 December 31, 2008, 69 long term leases had been executed and 65 of these tenants had commenced their occupancy. Occupancy of the apartment units began in May 2008. An average of 14% of the units designated for short term vacation rentals were rented and occupied during the fourth 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 2008, the total amount drawn under the 2006B Bond Purchase Agreement was \$8,261,135, of which amount, \$6,623,868 was drawn by LUK-MB2 and \$1,637,267 was drawn by LUK-MB1.

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

As of December 31, 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, Recent Developments in Part IV below.

LUK-MB2, LLC REPORT AS OF DECEMBER 31, 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”) which impact Phase II of the Market Common, Myrtle Beach. The following table shows the totals of Phase II housing units as of December 31, 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, including Sharpe Lane and R-5/C-3 is substantially completed. Civil design plans for tract R-1 have been submitted. Work has not yet commenced for tracts R-1, R-7/C-4, R-3/C-2 and R-2/C-4.

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 is expected to be dedicated to the City during the first quarter of 2009.

The water and sanitary sewer for tract R-4 (Parcels 209, 210, 211 & 212) was dedicated to the City during the fourth quarter of 2007 which allowed LUK-MB2 to tie into the system. 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 was received during the fourth quarter of 2008 with street and storm sewer expected to be dedicated to the City during the first quarter of 2009.

Civil design plans which had been re-designed to reflect adjustments in the water and sewer design for tract R-1 (Parcel 239) were submitted to the City during the second quarter of 2008 and approved by the City during the third quarter of 2008. Permits necessary to complete construction of the horizontal improvements were issued during the third quarter of 2008.

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. Revisions to the civil design plans are being considered for tract R-12 with any such revisions expected to be completed during the first quarter of 2009. Work has not yet commenced for tracts R-9, R-10, R-13 and Golf Holiday.

A contract for the horizontal work for tract R-8 (Parcel 255) was awarded to Weaver Corporation, Inc. ("Weaver") during the second quarter of 2008. The horizontal work was substantially completed during the fourth quarter of 2008, and punchlist items, testing and inspections are expected to be completed during the first quarter of 2009.

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

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 was expected to commence at the end of the fourth quarter of 2008 or the beginning of the first quarter of 2009; however, due to current market conditions, Market Common Townhomes, Inc. ("MCTI"), which is under contract to purchase R-12 from LUK-MB2, is considering building detached single family homes on tract R-12 instead of 95 townhome units as previously approved by the Fourth Amended Master Plan. In order to change the residential product as described above, LUK-MB2 would have to revise the civil design and land plans, submit a proposed amendment to the Master Plan for the Market Common Development, and, because the existing C-6 zoning ordinance which governs tract R-12 does not provide for the building of detached single family homes, submit a proposed change to the existing C-6 zoning ordinance to allow for the building of detached single family homes on tract R-12. Work has been temporary postponed pending consideration of civil design and land plan revisions, submission and approval of an amendment to the Master Plan for the Market Common Development, and an amendment to the C-6 zoning ordinance; a decision by MCTI and, if applicable the various required amendments and other changes are expected to be made and submitted, if appropriate, during the first quarter of 2009.

As of December 31, 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 2007. As of December 31, 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 December 31, 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 is expected to be completed during the first quarter of 2009.

With regard to the Phase II South A site work - which includes portions of Forrester Street (now known as Murray Avenue ["Murray"]), portions of Tillman Street (now known as Pancho Street ["Pancho"]) and portions of Johnson Avenue, and Kruzel Street), in each case, including, but not limited to, sanitary sewer, storm sewer, installation of water lines, utilities, road work, curbs and drainage structures is substantially completed and approved for use by DHEC. The water and sanitary sewer systems have been dedicated to the City. 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 is expected to be completed during the first quarter of 2009.

With regard to the Phase II South B, C, D 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 during the first quarter of 2009. As of December 31, 2008 LUK-MB2 expected construction of the C contract to be completed in the first quarter of 2009. 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 December 31, 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.

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

As of December 31, 2008, no additional site permits have been received.

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

There have been no changes to the approvals for such portions of the Market Common Site as described in the following section of the Limited Offering Memorandum entitled "THE MARKET COMMON DEVELOPMENT AND THE MARKET COMMON DEVELOPERS – Zoning and Governmental Approvals"; however, as described in Item 2a above, a proposed master plan amendment may be submitted during the first quarter of 2009 which would allow for the building of detached single family homes instead of townhomes on tract R-12.

4. Statement of Zoning Classification Changes:

There have been no zoning classification changes for any parcel within Phase II of the Market Common Development; however, as described in Item 2a above, a proposed zoning amendment may be submitted during the first quarter of 2009 which would allow for the building of detached single family homes on tract R-12.

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 fourth quarter of 2008. RWO Acquisitions, LLC ("RWO") 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 R-6 (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 RWO does not intend to close on any purchase of lots under the Sale Agreement. The Letter further advised that 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 provided such notice to both RWO and MB and advised that it would pursue all rights and remedies available to it under the terms of the Sale Agreement if RWO and MB did not close on the purchase of the R-6 Lots by December 15, 2008. RWO and MB failed to close on the purchase of the R-6 Lots on December 15, 2008, and such failure to close constituted a default under the terms of the Sale Agreement. LUK-MB2 exercised its right to terminate the Sale Agreement as a result of such default on December 15, 2008. As such, while previously, each and every lot and parcel within Phase II of the Market Common Development was under contract to be sold, the result of the termination of the Sale Agreement with RWO and MB is that there is no longer in place a contract for the purchase of R-6 (Parcels 205, 206 and 207), R-7 (Parcels 226, 227 and 229) and C-4 (Parcels 230 and 232). MCTI has agreed to purchase R-3/C-2 (Parcels 214, 216 and 217). Additionally, MB previously purchased tract C-5 (Parcels 201 and 203) (the "C-5 Parcel"), which C-5 Parcel is intended to be improved with 128 condominiums. Under the terms of the Sale Agreement, MB was obligated to commence construction of such condominiums on or before October 31, 2008. As of the date hereof, construction of these condominiums has not yet commenced. LUK-MB2 is currently considering its rights and remedies under the terms of the Sale Agreement and applicable law but has not made any decision as to which, if any, remedies it intends to pursue with respect to the C-5 Parcel.

b. Status of any Phase II Vertical Development Activity:

As of December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 2008, the total amount drawn under the 2006B Bond Purchase Agreement was \$8,261,135, of which amount, \$6,623,868 was drawn by LUK-MB2 and \$1,637,267 was drawn by LUK-MB1. See Recent Developments in Part IV below.

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

As of December 31, 2008, LUK-MB2 had not been informed of any default by the City or the bond purchaser under the 2006B Bond Purchase Agreement.

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

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

LUK-MB5, LLC REPORT AS OF DECEMBER 31, 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 and as described in Part I, Item 2a above, the Proposed Sixth Amendment, was submitted to the City of Myrtle Beach during the fourth quarter of 2008; none of which have resulted in changes to Phase IA of the Market Common Development. See, however, Recent Developments in Part IV below.

As of December 31, 2008, construction had not begun on Phase IA. The site plan of Phase IA will likely continue to change depending on market opportunities and conditions, the suitability and/or leasability of the 6.3 Acre Site and resolution of issues in connection therewith as discussed below; see also the discussion of the Proposed Seventh Amendment and Proposed Zoning Amendment for Phase IA under Recent Developments in Part IV below (each as defined therein). As of December 31, 2008, LUK-MB5 continues to be uncertain of the impact of the issues surrounding the 6.3 Acre Site and current market and economic conditions on the projected Phase IA development plan set forth in the Limited Offering Memorandum.

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

Construction of Phase IA 2006 Redevelopment Projects has not begun. The impact, if any, on the Phase IA 2006 Redevelopment Projects of the Proposed Seventh Amendment discussed under Recent Developments in Part IV is not yet known.

As of December 31, 2008, LUK-MB5 did not anticipate any material change in the projected cost of the Phase IA 2006 Redevelopment Projects; however, the impact of the Proposed Seventh Amendment and Proposed Zoning Amendment for Phase IA discussed under Recent Developments in Part IV on the projected cost of the Phase IA Redevelopment Projects is not yet known.

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

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

The 6.3 Acre Site was transferred by quitclaim deed dated March 19, 2008, (“New Deed”) with land use control restrictions due to the environmental condition of the property from the United States of America to Myrtle Beach Air Force Base Redevelopment Authority (the “RDA”) subsequent to the issuance of Finding of Suitability to Transfer (“FOST”) by the Air Force Real Property Agency. The deed was recorded on April 4, 2008. On April 7, 2008, the RDA sent a letter setting a closing date for the purchase of the 6.3 Acre Site for May 19, 2008. Although the purchaser under the purchase agreement (the “Purchaser”) is entitled to close on the purchase of the 6.3 Acre Site, according to the terms of the purchase agreement, the Purchaser contends, and sent a letter to the RDA to that effect on May 9, 2008, that it is not required to purchase the 6.3 Acre Site unless such property is in an environmental condition acceptable to the Purchaser and after issuance of a FOST. Although a FOST has been issued as described above, the current environmental condition of the 6.3 Acre Site is not acceptable to the Purchaser, which fact Purchaser set forth in an email to the RDA on September 23, 2008; therefore, as of December 31, 2008, the Purchaser will not purchase the 6.3 Acre Site and was considering whether or not to continue its lease of the 6.3 Acre Site until the environmental condition of the 6.3 Acre Site is remediated. There continues to be uncertainty as to how the situation with respect to the 6.3 Acre Site and the related impact on the remainder of Phase IA will be resolved, including whether the Purchaser will be able or will choose to lease the 6.3 Acre Site and whether either the Purchaser or the RDA will take any legal actions with respect to the situation. The Purchaser, as of the date hereof, is continuing to assess its legal, development, project and other options, and has engaged in 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, timing and viability of Phase IA of the Market Common Development and the viability of the 6.3 Acre Site.

During the fourth 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". The Proposed Sixth Amendment does not affect Phase IA; see, however, the discussion of the Proposed Seventh Amendment in Recent Developments in Part IV below.

- 4. Statement of Zoning Classification Changes:

There have been no zoning classification changes for any parcel within Phase IA of the Market Common Development; except the Proposed Zoning Amendment for Phase IA discussed in Recent Developments in Part IV below.

- 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 Proposed Seventh Amendment (see Recent Developments in Part IV below), and the timing and manner of resolution of the issues surrounding the 6.3 Acre Site described in Item 3a above. As such, construction did not commence during the third quarter of 2008 and is not anticipated to commence until after submission and approval of the Proposed Seventh Amendment and following resolution of the issues surrounding the 6.3 Acre Site and any resultant changes in the development plan for Phase IA as a result of the foregoing. As of December 31, 2008, LUK-MB5 was not marketing Phase IA to retailers due to the expected request for change in use.

- 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. After making a final determination as to the Remediation of the Brick Paver and Sidewalk Ramp Matters, which remediation is expected to be completed during the first quarter of 2009, the project consultant for the City concluded that this holdback should be reduced from \$444,947.50 to \$200,000. As such, there is \$244,947.50 of Series 2006A Bonds available for funding future draw requests.

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 decides to hold back a portion of the Series 2006A and/or Series 2006B Bonds to fund private use areas or if the total costs of the 2006 Redevelopment Projects continue to increase, 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 January 8, 2009, LUK-MB5 submitted a seventh amendment to the Master Plan for the Market Common, Myrtle Beach, proposing to amend the Master Plan to allow for 126 residential units (with an option for an additional 30 residential units) to be built on Phase IA (including some detached single family homes) in place of 175,000 rentable square feet of space for retail development (the "Proposed Seventh Amendment"). Because the existing C-6 zoning ordinance which governs Phase IA does not permit the building of detached single family homes, LUK-MB5 anticipates that it may submit a proposed change to the existing C-6 zoning ordinance to allow for the building of detached single family homes on Phase IA (the "Proposed Zoning Amendment for Phase IA"). As of December 31, 2008, the City of Myrtle Beach Planning Commission approved the Proposed Seventh Amendment. The City Council for the City of Myrtle Beach was scheduled to have its first reading of the Proposed Seventh Amendment; however, that hearing has been postponed pending resolution of concerns raised by the RDA regarding the Proposed Seventh Amendment and LUK-MB5's further analysis of the impact of the conditions contained in the New Deed and the recording of the New Deed on the nature, scope, timing and viability of Phase IA of the Market Common Development and the viability of the 6.3 Acre Site. LUK-MB5 is unable to predict how and when final resolution of the concerns relating to the Proposed Seventh Amendment will be reached.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, we have hereunto set our hands as of this 12th day of February, 2009.


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

LUK-MB1, LLC,
a Delaware limited liability company

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

By: McMYRTLE LLC,
Its Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager



Name: Daniel T. McCaffery
Title: Its President

[ADDITIONAL SIGNATURE PAGE FOLLOWS]

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

LUK-MB2, LLC,
a Delaware limited liability company


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

By: LUK-MB, LLC,
Its Manager

Name:
Title:

By: McMYRTLE LLC,
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager



Name: Daniel T. McCaffery
Title: Its President

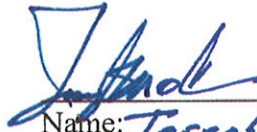
[ADDITIONAL SIGNATURE PAGE FOLLOWS]

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

LUK-MB2, LLC,
a Delaware limited liability company

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

By: LUK-MB, LLC,
Its Manager



Name: *Joseph M O'Connor*
Title: *Vice President*

By: McMYRTLE LLC,
Its Co-Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager

Name: Daniel T. McCaffery
Title: Its President

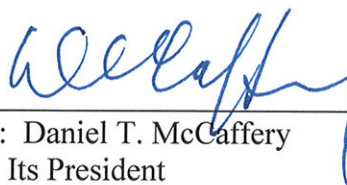
[ADDITIONAL SIGNATURE PAGE FOLLOWS]

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

LUK-MB5, LLC,
a Delaware limited liability company

By: McMYRTLE LLC,
Its Managing Member

By: McCAFFERY INTERESTS, INC.,
Its Manager



Name: Daniel T. McCaffery
Title: Its President