Project Report to Crescent Resources Board of Managers
Crescent Resources, LLC
Little River Pavilion - Retail Project (Revision)
June, 2006

I. Proposed Project

A. Description

In May 2003, Crescent received approval to develop a 67,000 square foot retail center to be anchored by a Bi-Lo grocery store on land acquired in Little River, South Carolina. However, due to financial difficulties, Bi-Lo's parent company decided not to build any new stores. Crescent then re-designed the site for a 62,500 square foot center and signed a 42,500 square foot lease with Lowes. In addition to the anchor change, we encountered many issues that cause the total project costs to be greater than the amount the board originally approved. The site had major soil and drainage issues that caused price increases in land development. We have also seen increases in vertical construction costs.

The attached proforma details our expectation of project returns accounting for the anchor change and cost increases. While we recognize the returns on this project are lower than our original expectations, we feel approval of the additional funds will allow us to complete and sell the center at a cap rate better than we had projected, therefore, mitigating a portion of the effect of the increased cost.

B. Cost and Financing

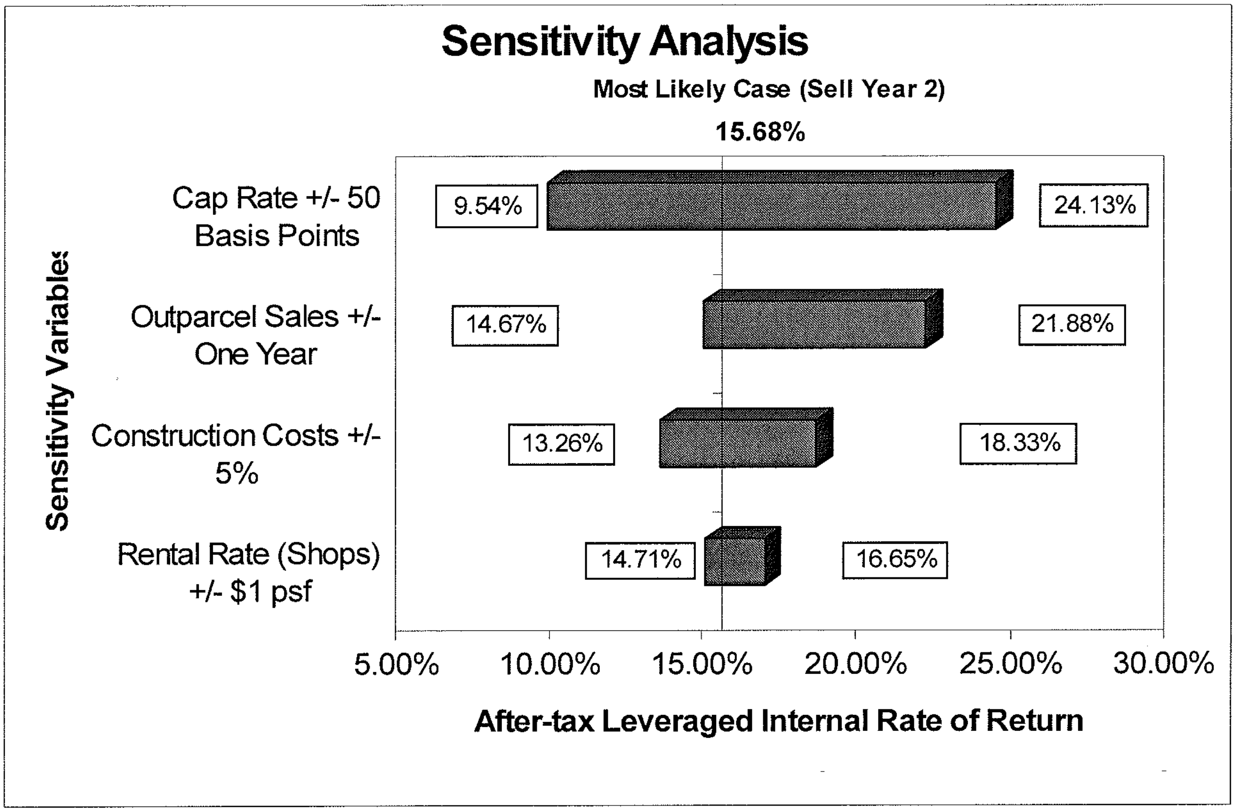
Revised project costs including land basis are expected to be $13,633,000, of which $8,600,000 could be financed with debt. Therefore, this project is being underwritten as 70% non-recourse financed, even though it may be funded 100% by Crescent.

The center is currently under construction and is expected to open in late July.

II. Quantifiable Benefits

While we expect the project to generate attractive current returns during the holding period, the expected sale of the property will provide a significant increment to the return on capital invested. We have calculated the expected internal rate of return (IRR) for each year of the potential holding period assuming a sale at the end of each year. The results at the end of Years 2-3, the most likely years of sale, show a range of 15.68% to 14.53%, exceeding our leveraged hurdle rate of 14.25%. The cumulative EBIT contribution totals $2,303,641 and $3,306,666, respectively.

III. **Risk and Sensitivity**



Key areas of risk include: construction, leasing, operations and eventual sale valuation. Environmental risk was assessed and resolved prior to acquisition of the land on which the project will be constructed.

Construction risk will be mitigated by the firm contracts we have in place for land development, construction and landscaping.

Leasing risk will be a function of the balance of supply and demand for space in the submarket in which the project competes.

Operating risk is controlled by utilizing experienced Crescent staff to manage the project upon completion of construction.

The potential results of sale will be a function of the balance of supply and demand for investment real estate, which balance is in part affected by capital market conditions. Current capital markets for Lowes Foods anchored shopping centers are very favorable.