CRESCENT RESOURCES
LLC

TO: Art Fields
Dan Kohlhepp
Henry Lomax
Todd Farrell

FROM: Pat Henry

DATE: November 5, 2007

RE: Phipps Tower, Atlanta, GA

Please find attached a completed Investment Package which summarizes our proposed Phipps Tower development in Atlanta, GA. This package is being submitted to you in advance of the December Investment Committee meetings for your review, comment and consideration.

Crescent Resources has been engaged in a direct solicitation of potential equity partners for this project during the past six weeks. Our efforts have targeted a 90/10 equity co-investment structure, 9% preferred return on equity and a pure promote to Crescent of 40%. We expect to be able to secure a construction loan for the project at 65% of project cost. At this point we have significant interest from both Metlife and Manulife Financial on or close to these terms and anticipate that we could be in position to execute a term sheet and commence due diligence/document preparation within the next few weeks. Given the size and complexity of this transaction as well as marketplace concerns, we would greatly appreciate any feedback you could offer relative to this deal.

The project site, as you are aware, was acquired by Crescent Resources, LLC in 2003. The project is zoned and entitled for its intended use and design plans are currently 95% complete for the project which will consist of one 490,000 sf office tower and an associated 4 ½ level parking deck. The site offers an unparalleled location with the Buckhead submarket with easy vehicular access to both GA 400 and the Peachtree Street corridor. Tenant access to the amenity rich Phipps Plaza shopping mall and Ritz Carlton hotel are equally outstanding.

Concern for the development of this project at this time has generally involved the following risk factors:

1. Budget Risk/Construction Cost
2. Entitlement Risk
3. Lease-up Risk/Competition

Budget Risk/Construction Cost: This risk has been significantly mitigated by the preparation of complete construction plans for the project. We have engaged Brasfield Gorrie as the project general contractor and have completed a formal pricing and subcontractor evaluation of the project. We are in the midst of an exhaustive value engineering exercise on the project which has significantly improved our project's budget position while preserving its need to provide outstanding occupancy features to its proposed tenants. We believe our underwriting variables including interest expense, lease-up conditions (timing, rates, concession packages and T.I. expenses), and capitalization rate valuation at the earn-out are commensurate with market conditions

Entitlement Risk: The project is zoned for its intended use. As mentioned above design is essentially complete and plans have been reviewed and approved by the City of Atlanta. We are in position now to pull permits for construction immediately with payment of permit fees. Minor design changes currently underway should not affect this process. The only outstanding entitlement issues involve circumstances related to the Mall Declaration and related adjacency relationships. While various issues related to construction staging/access, signage and minor consent rights remain to be cleaned up, there are no issues outstanding to our knowledge which will materially alter or delay our development plan.

Lease-up Risk/Competition: This is without question the most significant risk posed to the project. The Buckhead Class A office market currently stands at 12% vacancy overall and 8% within our existing competitive net. However with the near completion of Regent Partners 3344 Peachtree Building, and the expected starts of Terminus 200 (Cousins), Two Alliance (Tishman) and 3630 Peachtree (Pope and Land), greater than 2 million square feet of speculative office could potentially be delivered within our targeted lease-up period. While this amount of new construction is of great concern we believe our risk is mitigated by our site's preferred location and amenity package, amount of anticipated annual space absorption during both the construction period and completed project lease-up time frames and our venture structure. While a slower than projected lease-up would significantly effect the project budget (primarily due to project costs associated with interest expense and carry costs associated with the vacant space) we expect to be able to negotiate a protected position for our equity (first-out) and promote potential (extended sunset provision on timing of earn-out) to account for this potential.

Thank you in advance for your review of this information. Your feedback is greatly appreciated.