

Crescent Resources, LLC
Potomac Yard, Alexandria Land Sale
Alexandria, Virginia
January, 2004

I. Executive Summary

Crescent Resources, LLC seeks approval to sell all the remaining Potomac Yard land located within Alexandria. The proposed gross selling price is \$105,000,000 for this land, which is substantially unimproved except with regard to limited interim uses. Terms would be cash at closing, targeted for June, 2004.

II. Proposed Transaction

A. Description

In March, 2001, Crescent acquired from Commonwealth Atlantic Properties ('CAP'), an entity controlled by Lazard Freres, approximately 300 acres of land located adjacent to Reagan National airport in the Washington, DC metropolitan market. The original land cost was approximately \$122,000,000. Development entitlements were in place, along with a few interim uses but no substantial infrastructure. Approximately half of the entitlements are vested in the Arlington County, Virginia portion of the property, and the other half is in Alexandria, Virginia. During our holding period, we have completed a major sanitary sewer trunk line to serve the Alexandria portion (at a cost of approximately \$13 million), committed approximately another \$28 million to other infrastructure and predevelopment costs and we have closed three sales of portions of the property for an aggregate \$57 million.

We have identified an interest on behalf of Pulte Corporation, a national home building and real estate development company, in conjunction with Centex (another national builder) to purchase all of the remaining Alexandria land with its entitlements as-is. Crescent would retain the Arlington portion and all its remaining development rights.

B. Financial Parameters

The proposed gross purchase price is \$105,000,000 and terms would be cash at closing, anticipated to be by June 30, 2004. After selling costs and allocating basis to the portion of the property sold, we expect EBIT to be approximately \$35,000,000.

III. Quantifiable Benefits

The key quantifiable benefit is recovery of invested capital and recognition of earnings. We will also forgo the risk associated with the remaining development of the property. While we may forgo the possibility of achieving incremental return after undertaking development risks, the current proposal allows us to recognize an attractive return on and of investment while capital market conditions are favorable. On balance, we believe now is a prudent time to sell this asset given the terms offered.