IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

In re	:	**Chapter 11**
CRESCENT RESOURCES, LLC, *et. al.*,	:	**Case No. 09-11507 (CAG)**
Debtors.	:	**Jointly Administered**

NOTICE OF FILING BLACKLINE OF DISCLOSURE STATEMENT FOR FIRST AMENDED DISCLOSURE STATEMENT

PLEASE TAKE NOTICE that on January 29, 2010, the above-captioned debtors and debtors in possession (the "Debtors") filed the Disclosure Statement for Joint Plan of Reorganization of Debtors Under Chapter 11 of the Bankruptcy Code [Docket No. 692] (the "Disclosure Statement") and the Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code [Docket No. 693] (the "Plan").

PLEASE TAKE FURTHER NOTICE that the Court has scheduled a hearing on the Disclosure Statement for March 12, 2010 at 9:00 a.m. (CST) (the "Disclosure Statement Hearing").

PLEASE TAKE FURTHER NOTICE that today the Debtors have filed the **First Amended Disclosure Statement for the Amended Joint Plan of the Debtors Under Chapter 11 of the Bankruptcy Code** [Docket No. 806] (the "First Amended Disclosure Statement").

PLEASE TAKE FURTHER NOTICE that for the convenience of the Court and parties in interest, the Debtors have today filed and attached hereto as Exhibit 1, a blackline comparing the First Amended Disclosure Statement against the Disclosure Statement.

Dated: March 11, 2010
Austin, Texas

/s/ Martin A. Sosland

Eric J. Taube (19679350)
HOHMANN, TAUBE & SUMMERS, L.L.P
100 Congress Avenue, Suite 1800
Austin, Texas 78701
Telephone: (512) 472-5997
Facsimile: (512) 472-5248

-and-

Martin A. Sosland (18855645)
Lydia T. Protopapas (00797267)
WEIL, GOTSHAL & MANGES LLP
200 Crescent Court, Suite 300
Dallas, Texas 75201
Telephone: (214) 746-7700
Facsimile: (214) 746-7777

-and-

Marcia L. Goldstein (*pro hac vice*)
WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007

ATTORNEYS FOR DEBTORS AND
DEBTORS IN POSSESSION

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

In re	:	**Chapter 11**
	:	
CRESCENT RESOURCES, LLC, et. al.,	:	**Case No. 09-11507 (CAG)**
	:	
Debtors.	:	**Jointly Administered**

FIRST AMENDED DISCLOSURE STATEMENT FOR JOINT PLAN OF REORGANIZATION OF DEBTORS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

The Bankruptcy Court has not approved this proposed disclosure statement as containing adequate information pursuant to section 1125(b) of the Bankruptcy Code for use in the solicitation of acceptances or rejections of the chapter 11 plan described herein and attached hereto. Accordingly, the filing and dissemination of this disclosure statement are not intended to be, and should not in any way be construed as, a solicitation of votes on the plan, nor should the information contained in this disclosure statement be relied on for any purpose until a determination by the Bankruptcy Court that the proposed disclosure statement contains adequate information.

The Debtors reserve the right to amend or supplement this proposed disclosure statement at or before the hearing to consider this disclosure statement.

HOHMANN, TAUBE & SUMMERS, L.L.P.
100 Congress Avenue, Suite 1800
Austin, Texas 78701
Eric J. Taube (19679350)
Mark C. Taylor (19713225)
(512) 472-5997

- and -

WEIL, GOTSHAL & MANGES LLP
200 Crescent Court, Suite 300
Dallas, Texas 75201
Martin A. Sosland (18855645)
Lydia T. Protopapas (00797267)
(214) 746-7700

ATTORNEYS FOR DEBTORS AND
DEBTORS IN POSSESSION

Dated: ~~January 29,~~March 11, 2010
Austin, Texas

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

I.

INTRODUCTION

Pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code"), Crescent Resources, LLC ("Crescent Resources"), Crescent Holdings, LLC ("Crescent Holdings"), and their affiliated debtors and debtors in possession (collectively, "Crescent", or the "Debtors"),[1] in jointly-administered cases under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases"), submit this disclosure statement (the "Disclosure Statement") and plan of reorganization (the "Plan"), attached hereto as **Exhibit A** to all holders of Claims against and Equity Interests in the Debtors, dated January 29, 2010. **Unless otherwise defined herein, capitalized terms used herein will have the meanings ascribed to such terms in the Plan. Please note that to the extent any inconsistencies exist between the Disclosure Statement and the Plan, the Plan governs.**

The purpose of this Disclosure Statement is to provide holders of Claims and Equity Interests with adequate information about (1) the Debtors' history and businesses, (2) the Chapter 11 Cases, (3) the Plan, (4) the rights of holders of Claims and Equity Interests under the Plan, and (5) other information necessary to enable holders of Claims and Equity Interests to make an informed judgment as to whether to vote to accept or reject the Plan.

The Debtors have developed the Plan in order to provide distributions to their creditors based on the available reorganization value of the Debtors and the various Creditors' relative priority of treatment under the Bankruptcy Code and applicable non-bankruptcy law. Under the Plan, the Debtors will achieve a significant reduction in their consolidated indebtedness by exchanging their prepetition secured debt with the lenders thereof for a second lien credit facility and substantially all of the equity interests in the reorganized Debtors, and entering into a new first lien credit facility on the Effective Date. Unsecured creditors not entitled to priority will receive recovery from proceeds of litigation to be pursued by a Litigation Trust.

Pursuant to the Plan, (i) holders of DIP Claims, Professional Compensation and Reimbursement Claims, Administrative Expense Claims, and Priority Tax Claims will be paid in full in cash on the Effective Date (as defined below); (ii) holders of Other Secured Claims will receive cash, their collateral, the proceeds of the disposition of their collateral, or will have their debt reinstated in full satisfaction of their Claims; (iii) Asset-Level Debt Secured Claims[2] will for the most part receive their collateral or have their debt reinstated in full satisfaction of their Claims; (iv) holders of Allowed Prepetition Lender Claims will receive on account of such Claims such holders' Pro Rata distribution of (a) 100% of the Tranche B Notes, (b) 100% of the Tranche C Notes, (c) 100% of the Reorganized Equity Interests, subject to dilution by the

[1] Crescent Resources, Crescent Holdings, and all Debtor subsidiaries and non-debtor subsidiaries are defined herein as the "Crescent Enterprise".

[2] "Asset-Level Debt Secured Claims" means the 223 Developers Secured Claims, ~~Grand Landings~~The Reserve Other Notes Secured Claims, ~~the Grand Landings~~The Reserve Note 1 Secured Claims, the ~~Grand Reserve~~Roberts Road Secured Claims, the Grand Woods Secured Claims, the North Bank Developers Secured Claims, the North River Secured Claims, the Portland ~~Place~~Group Secured Claims, and the Rim Secured Claims.

Management Incentive Plan, and (d) 100% of the Class B Litigation Trust Interests; and (v) holders of Other General Unsecured Claims will receive on account of such Claims such holders' Pro Rata distribution of 100% of the Class A Litigation Trust Interests.

The Debtors recommend that all holders of Claims and Equity Interests vote to accept the Plan, because the Plan seeks to preserve the value of the Debtors for their Creditors, while recognizing the priority and validity of the liens of the Prepetition Lenders on substantially all the Debtors' assets and the absence of any meaningful value for other creditors absent the formation of the Litigation Trust under the Plan. The Debtors make no recommendation with respect to any particular election option that holders of Claims voting to accept the Plan may be entitled to make under the Plan.

Please note that not all holders of Claims or Equity Interests are entitled to vote. If you are entitled to vote, a ballot will be enclosed with this Disclosure Statement. For more information as to which holders of Claims and Equity Interests may vote, please refer to Section IV.B, "Classification and Treatment of Claims." For voting procedures and important deadlines, please refer to Section IX, "VOTING PROCEDURES AND REQUIREMENTS."

On _____, 2010, the United States Bankruptcy Court for the Western District of Texas, Austin Division (the "Bankruptcy Court") approved this Disclosure Statement as providing adequate information to allow a holder of a Claim or an Equity Interest to make an informed judgment as to whether to accept or reject the Plan. **Please note that the Bankruptcy Court's approval of this Disclosure Statement does not constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan or as to the accuracy or truth of the statements, information, and data contained in this Disclosure Statement.**

On _____, 2010, the Bankruptcy Court will hold a hearing to consider whether to approve and confirm the plan (the "Confirmation Hearing"). The Confirmation Hearing may be adjourned from time to time without notice. For more information on the confirmation process, please refer to Section X, "CONFIRMATION OF THE PLAN."

For your reference, the following documents are attached to the Disclosure Statement:

(i) The Plan attached hereto as (Exhibit A);

(ii) Order of the Bankruptcy Court, dated _____, 2010 (the "Disclosure Statement Order"), approving, among other things, this Disclosure Statement and establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan (attached without exhibits as Exhibit B);

(iii) ~~Schedule of Pending Litigation~~Chart delineating which Debtor entities are associated with each of the Debtors' projects, attached hereto as (Exhibit C);

(iv) Schedule of Pending Litigation attached hereto as (Exhibit D);

(v) Schedule of Claims related to Pending Litigation to which the Debtors reserve their right to object, attached hereto as (Exhibit E);

(vi) ~~(iv)~~ The Debtors' 2008 and 2009 unaudited financial statements and the Projected Consolidated Financial Statements (the "Projected Financial Statements") for the five years ending December 31, 2014, attached hereto as (Exhibit ~~D~~F); and

(vii) ~~(v)~~ The Debtors' Liquidation Analysis attached hereto as (Exhibit ~~E~~G).

This Disclosure Statement does not replace a careful and detailed review and analysis of the Plan by each holder of a Claim or Equity Interest. Please use this Disclosure Statement to aid and supplement that review. The description of the Plan contained herein is only a summary and is qualified in its entirety by reference to the full text of the Plan; if any inconsistencies exist between the Plan and this Disclosure Statement, the Plan governs. The Debtors urge holders of Claims and Equity Interests to review the Plan and any related attachments in order to obtain a full understanding of the Plan.

IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, holders of Claims and Equity Interests are hereby notified that: (A) any discussion of U.S. federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims or Equity Interests for the purpose of avoiding penalties that may be imposed on them under the Internal Revenue Code; (B) such discussion is written in connection with the promotion or marketing by the Debtors of the transactions or matters addressed herein; and (C) holders of Claims and Equity Interests should seek advice based on their particular circumstances from an independent tax advisor.

*** * ***

The offer of Reorganized Equity Interests in exchange for certain existing Claims has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or similar state securities or "blue sky" laws. The issuance of the Reorganized Equity Interests pursuant to the Plan is being made pursuant to the exemption available under section 1145 of the Bankruptcy Code. The issuance of the Reorganized Equity Interests has not been approved or disapproved by the Securities and Exchange Commission (the "SEC") or by any state securities commission or similar public, governmental, or regulatory authority, and neither the SEC nor any such authority has passed upon the accuracy or adequacy of the information contained in this Disclosure Statement or upon the merits of the Plan.

Certain statements contained in this Disclosure Statement, including the Projected Financial Statements, are forward-looking statements. Forward-looking statements usually can be identified by the use of words like "believes," "expects," "may," "will," "should," "anticipates," "estimates," "projects," or the negative thereof. They may be used in discussions of strategy, which typically involves risk and uncertainty, and they generally are based upon projections and estimates rather than historical facts and events.

Forward-looking statements are subject to a number of risks and uncertainties that could cause the Debtors' actual results or performance to be materially different from the future results or performance expressed in or implied by those statements. Some of those risks and uncertainties include:

- **Timing of the recovery of the United States' real estate market;**
- **Changes in general economic conditions;**
- **Availability of and access to capital;**
- **Recovery tied to strength or weakness of the economy of the southeast United States;**
- **Changes in the competitive environment;**
- **Unanticipated operating results;**
- **High carry costs for certain assets; and**
- **Changes in mortgage-lending standards and interest rates.**

The use of forward-looking statements should not be regarded as a representation that any of the projections or estimates expressed in or implied by those forward-looking statements will be realized, and actual results may vary materially. There can be no assurance that any of the forward-looking statements contained herein will prove to be accurate. All forward-looking statements are expressly qualified by the discussion above.

II.

EXECUTIVE SUMMARY

A. Summary of Classification and Treatment of Claims and Equity Interests Under the Plan

The following summarizes the classification of Claims and Equity Interests under the Plan and the respective distributions and recoveries to each such Class. The following summary is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms of the Plan, please refer to Section IV, "THE PLAN."

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY

[3] The amounts set forth herein are the Debtors' estimates based on the Debtors' books and records and preliminary review of proofs of claim filed to date. Actual amounts will depend upon the final reconciliation and allowance of

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
Unclassified	Administrative Expense Claims	Paid in full in Cash	No	$~~16,000,000~~4,000,000[4]	100%
Unclassified	Professional Compensation and Reimbursement Claims	Paid in full in Cash	No	$~~12,500,000~~10,000,000	100%
Unclassified	DIP Claims	Paid in full in Cash	No	$30,000,000	100%
Unclassified	Priority Tax Claims	Paid in full in Cash	No	$~~402,178~~[4]2,032,484[5]	100%
Classes 1-~~121~~120	Other Priority Claims	Claims in these Classes are unimpaired. Each holder of an Allowed Other Priority Claim will receive, on account of their Claims against the Debtors and their estates, Cash in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such Allowed Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.	No (Deemed to accept the Plan)	$~~11,434,218~~[5]4,315,150[6]	100%

Claims including Administrative Expense Claims. Accordingly, the actual amounts may vary from the amounts set forth herein. The Debtors reserve the right to contest any Claim.

[4] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $1,210,394, prior to reduction.

~~[4] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $9,442,738, prior to reduction.~~

[5] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $11,199,131, prior to reduction.

~~[5] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $12,167,869, prior to reduction.~~

[6] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $11,860,504, prior to reduction.

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
Classes ~~122~~121-~~242~~240	Secured Tax Claims	Claims in these Classes are unimpaired. Except to the extent that a holder of an Allowed Secured Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Secured Tax Claim shall receive, on account of their Claims against the Debtors and their estates, at the sole option of the Reorganized Debtors: (i) Cash in an amount equal to such Allowed Secured Tax Claim on the Effective Date, including any interest on such Allowed Secured Tax Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code; (ii) equal semi-annual Cash payments in an aggregate amount equal to such Allowed Secured Tax Claim, together with interest at a rate determined under applicable non-bankruptcy law in accordance with section 511 of the Bankruptcy Code, over a period ending not later than five (5) years after the Petition	No (Deemed to accept the Plan)	$~~6,383,943~~[6]8,683,389[7]	100%

~~[6] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $23,729,968, prior to reduction.~~

[7] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $28,831,941, prior to reduction.

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		Date; (iii) upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Secured Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Secured Tax Claim; or (iv) to the extent that the Collateral securing such Allowed Secured Tax Claim is transferred pursuant to sections 4.5 through 4.13 of the Plan, retention of the Allowed Secured Tax Claim holder's Lien in the Collateral.			
Classes ~~243~~241-~~354~~352	Prepetition Lender Claims	Claims in these Classes are impaired. The Prepetition Lender Secured Claims shall be Allowed Claims in the amount of the ~~Reorganization~~Reorganized Equity Interests Value of the Reorganized Debtors plus the face value of the Second Lien Facility, and are not subject to offset, defense, counterclaim, reduction, or credit of any kind whatsoever. The Prepetition Lender Deficiency Claims shall be Allowed Claims in the	Yes	$~~1,495,168,000~~[7]1,551,063,591.57	~~40.46~~38%

~~[7] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $1,521,003,538, prior to reduction.~~

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		aggregate amount of $1,551,063,591.57 less the amount of the Allowed Prepetition Lender Secured Claims and less all payments made subsequent to the Commencement Date in respect of the Prepetition Lender Claims, not subject to offset, defense, counterclaim, reduction, subordination, disallowance or credit of any kind whatsoever. On the Effective Date, each holder of an Allowed Prepetition Lender Secured Claim shall receive on account of such holder's Claim such holder's Pro Rata distribution of: (i) 100% of the Tranche B Notes, (ii) 100% of the Tranche C Notes, and (iii) 100% of the Reorganized Equity Interests, pursuant to the Capital Consideration Allocations made in accordance with Section 7.6(~~v~~c) of the Plan, subject to dilution by the Management Incentive Plan. The terms~~,~~ and rights ~~and designations~~ of the Tranche B Notes, the Tranche C Notes and the Reorganized Equity Interests will be more fully described in the Plan Supplement. Each holder			

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		of an Allowed Prepetition Lender Claim receiving Reorganized Equity Interests distributed hereunder will receive them in the form of Crescent Investment Units unless such holder elects, on its properly completed ballot, to instead receive its distribution in the form of Reorganized Holdings ~~Series B~~ Units. On the Effective Date, each holder of an Allowed Prepetition Lender Deficiency Claim shall receive on account of such holder's Claim such holder's Pro Rata distribution of 100% of the Class B Litigation Trust Interests.			
Classes ~~355~~353-~~475~~472	Other Secured Claims	Claims in these Classes are unimpaired. Except to the extent that a holder of an Allowed Other Secured Claim against the Debtors agrees to a less favorable treatment, at the sole option of the Debtors or Reorganized Debtors: (i) each Allowed Other Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any	No (Deemed to accept the Plan)	$~~4,573,462~~1,805,198[8]	100%

[8] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $~~160,933,918,~~160,878,804, prior to reduction.

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		contractual provision or applicable non-bankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, or (ii) each holder of an Allowed Other Secured Claim shall receive, in full satisfaction of such Allowed Other Secured Claim, either (v) Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code; (w) Cash in an amount and on such other terms and conditions as agreed to between the holder of such Allowed Other Secured Claim, on the one hand, and the Debtors or the Reorganized Debtors, on the other hand; (x) the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, to the extent of the value of the holder's security interest in such Collateral;			

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		(y) the Collateral securing such Allowed Other Secured Claim; or (z) such other distribution as necessary to satisfy the requirements of chapter 11 of the Bankruptcy Code. In the event the Debtors or Reorganized Debtors elect to treat a Claim under clause (v), (w) or (x) of this Section, the Liens securing such Secured Claim shall be deemed released upon satisfaction of the requirements set forth in (v), (w) or (x) above.			
Class ~~476~~473	223 Developers Secured Claims	Claims in this Class are impaired. Each holder of an Allowed 223 Developers Secured Claim will receive, in full satisfaction of such Claim: (i) to the extent that the Debtors have legal title in the Collateral securing such Allowed 223 Developers Secured Claim, the Collateral securing such Allowed 223 Developers Secured Claim; or (ii) any treatment agreed to by the holder of such Allowed 223 Developers Secured Claim, on the one	Yes	$~~18,603,525~~2,400,000[9]	100%

[9] The gross amount of Claims filed and scheduled in this Class is approximately $18,603,525. The estimated 223 Developers Secured Claim amount is calculated based on the estimated liquidation value of the property securing such Claim, and the deficiency claim will be treated as an Other General Unsecured Claim in the estimated amount of $16,603,525.

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		hand, and the Debtors on the other hand; provided that such treatment will not provide a return to the holder of such Allowed 223 Developers Secured Claim having a present value in excess of the amount of such Allowed 223 Developers Secured Claim.			
Class ~~477~~474	Grand Woods Secured Claims	Claims in this Class are impaired. Each holder of an Allowed Grand Woods Secured Claim will receive, in full satisfaction of such Allowed Grand Woods Secured Claim: (i) the Collateral securing such Allowed Grand Woods Secured Claim, and $200,000 earnest money deposit plus interest earned provided by Florida Landmark Communities, Inc. in connection with that certain Grand Woods Agreement for Purchase and Sale dated December 1, 2005, as amended, or (ii) any treatment agreed to by the holder of such Allowed Grand Woods Secured Claim, on the one hand, and the Debtors on the other hand; provided that such treatment will not provide a return to the holder of such Allowed Grand Woods Secured Claim having a present value in excess of the amount of such Allowed	Yes	$3,779,846	100%

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		Grand Woods Secured Claim.			
Class ~~478~~475	Portland ~~Place~~Group Secured Claims	Claims in this Class are unimpaired. Except to the extent that a holder of an Allowed Portland ~~Place~~Group Secured Claim against the Debtors agrees to a less favorable treatment, each Allowed Portland ~~Place~~Group Secured Claim will be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code.	No (Deemed to accept the Plan)	$425,926	100%
Class ~~479~~476	~~Rim~~Roberts Road Secured Claims	Claims in this Class are impaired. Each holder of an Allowed ~~Rim~~Roberts Road Secured Claim will receive, in full satisfaction of such Claim~~:~~; (i) the Collateral securing such Allowed ~~Rim Secured Claim~~Roberts Road Secured Claim, and the $80,000 earnest money deposit plus interest earned provided by Florida Landmark Communities, Inc. in connection with that certain Roberts Road Agreement for Purchase and Sale dated June 13, 2004, as amended, or (ii) any treatment agreed to by the holder of such Allowed ~~Rim~~Roberts Road Secured Claim, on	Yes	$~~64,425~~2,030,511	100%

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		the one hand, and the Debtors on the other hand; provided that such treatment will not provide a return to the holder of such Allowed ~~Rim~~Roberts Road Secured Claim having a present value in excess of the amount of such Allowed ~~Rim~~Roberts Road Secured Claim.			
Class ~~480~~477	~~Grand~~The Reserve Note 1 Secured Claims	~~Claims in this Class are impaired.~~ Each holder of an Allowed ~~Grand~~The Reserve Note 1 Secured Claim will receive, in full satisfaction of such Claim~~;~~: (i) ~~the Collateral securing~~Cash in an amount equal to such Allowed ~~Grand Reserve Secured Claim, or~~The Reserve Note 1 Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (ii) any treatment agreed to by the holder of such Allowed ~~Grand~~The Reserve Note 1 Secured Claim, on the one hand, and the Debtors on the other hand; provided that such treatment will not provide a return to the holder of such Allowed ~~Grand~~The Reserve Note 1	~~Yes~~No	$~~2,030,511~~545,049	100%

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		Secured Claim having a present value in excess of the amount of such Allowed ~~Grand~~The Reserve Note 1 Secured Claim.			
Class ~~481~~478	~~Grand Landings Note 1~~The Reserve Other Notes Secured Claims	Claims in this Class are impaired. Each holder of an Allowed ~~Grand Landings Note 1~~The Reserve Other Notes Secured Claim ~~will~~shall receive, in full satisfaction of such Claim: (i) ~~Cash in an amount equal to~~the Collateral securing such Allowed ~~Grand Landings Note 1 Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code~~The Reserve Other Notes Secured Claim, or (ii) any treatment agreed to by the holder of such Allowed ~~Grand Landings Note 1~~The Reserve Other Notes Secured Claim, on the one hand, and the Debtors on the other hand; provided that such treatment ~~will~~shall not provide a return to the holder of such Allowed ~~Grand Landings Note 1~~The Reserve Other Notes Secured Claim having a present value in excess of the amount of such Allowed ~~Grand Landings Note 1~~The Reserve Other Notes	Yes	$~~545,049~~1,530,515	100%

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		Secured Claim.			
Class ~~482~~479	~~Grand Landings Other Notes~~North River Secured Claims	Claims in this Class are impaired. Each holder of an Allowed ~~Grand Landings Other Notes~~North River Secured Claim ~~shall~~will receive, in full satisfaction of such Claim: (i) the Collateral securing such Allowed ~~Grand Landings Other Notes~~North River Secured Claim, or (ii) any treatment agreed to by the holder of such Allowed ~~Grand Landings Other Notes~~North River Secured Claim, on the one hand, and the Debtors on the other hand; provided that such treatment ~~shall~~will not provide a return to the holder of such Allowed ~~Grand Landings Other Notes~~North River Secured Claim having a present value in excess of the amount of such Allowed ~~Grand Landings Other Notes~~North River Secured Claim.	Yes	$~~1,530,515~~34,742,517	100%
~~Class 483~~	~~North River Secured Claims~~	~~Claims in this Class are impaired.~~ ~~Each holder of an Allowed North River Secured Claim will receive, in full satisfaction of such Claim:~~	~~Yes~~	~~$34,742,517~~	~~100%~~

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		~~(i) the Collateral securing such Allowed North River Secured Claim, or~~ ~~(ii) any treatment agreed to by the holder of such Allowed North River Secured Claim, on the one hand, and the Debtors on the other hand; provided that such treatment will not provide a return to the holder of such Allowed North River Secured Claim having a present value in excess of the amount of such Allowed North River Secured Claim.~~			
Class ~~484~~480	North Bank Developers Secured Claims	Claims in this Class are impaired. Each holder of an Allowed North Bank Developers Secured Claim will receive, in full satisfaction of such Claim: (i) the Collateral securing such Allowed North Bank Developers Secured Claim, or (ii) any treatment agreed to by the holder of such Allowed North Bank Developers Secured Claim, on the one hand, and the Debtors on the other hand; provided that such treatment will not provide a return to the holder of such Allowed North Bank Developers Secured Claim having a present value in excess of the amount of such Allowed North Bank	Yes	$20,000,000	100%

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		Developers Secured Claim.			
Classes 481-488	Palmetto Bluff Secured Claims	Claims in these Classes are unimpaired. The Allowed Palmetto Bluff Secured Claims shall either: (i) be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, or (ii) estimated in accordance with section 502(c) of the Bankruptcy Code and given its indubitable equivalent in accordance with section 1129(b)(2), notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the holder of an Allowed Palmetto Bluff Secured Claim to demand or receive payment of such Allowed Palmetto Bluff Secured Claim prior to the stated maturity of such Allowed Palmetto Bluff Secured Claim from and after the occurrence of a default. Claims arising from the Palmetto Bluff Agreement that are not Palmetto Bluff Secured Claims shall be considered Other General Unsecured Claims in Classes 499 through 616, as applicable.	No	Unliquidated	100%

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
Classes 489-496	CDD Claims	Claims in these Classes are unimpaired. Any and all liens for assessments levied and/or imposed at any time by a community development district ("CDD") established under applicable Florida law ("Florida CDD Law") shall constitute, and will at all relevant times in the future constitute, legal, valid, and binding first liens on the land against which levied and/or imposed until paid; shall continue to represent first priority governmental liens pari passu with ad valorem taxes and superior to any other lien; and shall run with the land, in each case to the extent provided by Florida CDD Law. Such liens and assessments shall not otherwise be disturbed or affected by this Disclosure Statement, the Plan, any order confirming the Plan, or any other order entered in this case or affiliated cases. Any and all assessments levied and/or imposed by a CDD at any time shall be paid when due under the terms of the CDD's resolutions or other directives, and applicable non-bankruptcy law, and, if delinquent prior to or at	No	$69,193,287[10]	100%

[10] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $79,748,295, prior to reduction.

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		the Effective Date, shall be brought current immediately. To the extent the Debtors seek to sell or dispose of any real property prior to the Effective Date, such sale or disposition shall be governed by the terms of this paragraph, with any and all delinquent assessments being brought current immediately, and no later than, the time of closing. In the event any language in this paragraph is inconsistent with any language in any other provision of this Disclosure Statement, the Plan, any order confirming the Plan, or any other entered in this case or affiliated cases, the language as stated herein shall control.			
Class 497	Chaparral Pines Investors General Unsecured Claims	Claims in this Class are impaired. On the Effective Date, or as soon thereafter as is practicable, except to the extent that a holder of an Allowed Chaparral Pines Investors General Unsecured Claim has been paid Chaparral Pines Investors prior to the Effective Date or such holder agrees to a less favorable treatment, each holder of an Allowed Chaparral Pines Investors	Yes	$173,647[11]	100%

[11] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $1,181,180, prior to reduction.

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		General Unsecured Claim shall be entitled to receive, on account of its Claims against Chaparral Pines Investors and its estate, its Pro Rata share of $566,552 in Cash until paid in full. In no event shall a holder of an Allowed Chaparral Pines Investors General Unsecured Claim receive more than 100% of such holder's Allowed Chaparral Pines Investors General Unsecured Claim.			
Class 498	Portland Group General Unsecured Claims	Claims in this Class are impaired. On the Effective Date, or as soon thereafter as is practicable, except to the extent that a holder of an Allowed Portland Group General Unsecured Claim has been paid Portland Group prior to the Effective Date or such holder agrees to a less favorable treatment, each holder of an Allowed Portland Group General Unsecured Claim shall be entitled to receive, on account of its Claims against Portland Group and its estate, its Pro Rata share of $505,519 in Cash until paid in full. In no event shall a holder of an Allowed Portland Group General Unsecured Claim receive more than 100%	Yes	$506,538[12]	99.8%

[12] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $1,817,053, prior to reduction.

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		of such holder's Allowed Portland Group General Unsecured Claim.			
Classes ~~485~~499-~~605~~616	Other General Unsecured Claims	Claims in these Classes are impaired. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Other General Unsecured Claim against a Debtor in a Class of Other General Unsecured Claims shall be entitled to receive on account of its Claims against the Debtors and their estates its Pro Rata share of the Class A Litigation Trust Interests. In addition, the Class Litigation Trust Interests of any Accepting Other General Unsecured Claims Class shall be deemed senior to the Class B Litigation Trust	Yes	$~~428,655,801~~[9]305,379,423[13]	Undetermined[14] No value has been attributed to the Litigation Trust Interests.

[9] ~~Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $1,210,987,765, prior to reduction.~~

[13] Estimated amount of Allowed Claims. The gross amount of Claims filed and scheduled in this Class is approximately $1,188,601,044, prior to reduction.

[14] While estimating recoveries by the Litigation Trust is highly speculative, the Debtors, with the assistance of their restructuring advisors , have performed an initial analysis of potential Avoidance Actions and determined that there are approximately $20 million in potential Avoidance Actions that the Litigation Trust could pursue. This amount reflects preference exposure net the various defenses analyzed by the Debtors' advisors and does not reflect any analysis of likelihood of recovery. Further, this amount does not account for costs associated with pursuing recovery, reductions in connection with settlement, or other potential defenses not analyzed by the Debtors' advisors. The Debtors' advisors encountered various issues in performing their preference analysis, including missing, incomplete, and irregular data. In addition, the Debtors' advisors made certain legal assumptions regarding the application of potential defenses by recipients of preferential transfers. The application of additional data or differing legal assumptions could materially change the net recovery estimate. Moreover, the Debtors have not analyzed or estimated potential recoveries for holders of General Unsecured Claims, given the inherent uncertainties in pursuing such causes of action. Such an analysis is highly speculative and may be misleading to the holders of such Claims.

CLASS	DESIGNATION	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT OF CLAIMS OR EQUITY INTERESTS IN CLASS[3]	ESTIMATED RECOVERY
		Interests as contemplated by Section 8.3 of the Plan.			
Classes ~~606~~617-~~726~~736	Intercompany Equity Interests	Claims in these Classes are unimpaired. Each Allowed Intercompany Equity Interest will be retained.	No (Deemed to accept the Plan.)	N/A	N/A
Class ~~727~~737	Crescent Holdings Equity Interests	Claims in this Class are impaired. Each holder of an Allowed Crescent Holdings Equity Interest will receive no distribution for and on account of such Crescent Holdings Equity Interests, and such Crescent Holdings Equity Interests will be cancelled on the Effective Date.	No (Deemed to reject the Plan.)	N/A	0%

B. Summary of Voting Procedures

If you are entitled to vote, you will receive a ballot with this Disclosure Statement. On the ballot, you may elect either to accept or reject the Plan. If you return a ballot that does not indicate either an acceptance or rejection of the Plan, your vote will be counted as a vote to accept the Plan. If you return a ballot that indicates both an acceptance and rejection of the Plan, your vote will not be counted and will be disregarded.

_____, 2010 is the record date to determine which holders of Claims or Equity Interests may vote to accept or reject the Plan.

_____, 2010 _____ p.m. (Central Standard Time) is the last day to vote (the "Voting Deadline").

Please send your ballot to:

FINANCIAL BALLOTING GROUP LLC
ATTN: CRESCENT RESOURCES BALLOT TABULATION
757 THIRD AVENUE, 3RD FLOOR
NEW YORK, NEW YORK 10017

- OR -

tabulation@fbgllc.com

Financial Balloting Group LLC (the "Solicitation Agent") must receive your ballot by (i) mail at street address above or (ii) e-mail in PDF form, each before the Voting Deadline for your vote to be counted. The Solicitation Agent will not accept ballots sent by facsimile. If you are a holder of a Claim or an Equity Interest entitled to vote but did not receive a ballot, please contact the Solicitation Agent to obtain a ballot. If your ballot is damaged or lost, you should also contact the Solicitation Agent.

For more information on voting procedures, please refer to Section IX, "VOTING PROCEDURES AND REQUIREMENTS." Before voting, please review and consider all information outlined in the Plan, this Disclosure Statement, and any documents attached thereto.

C. Overview of the Chapter 11 Process

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself and all economic parties in interest. In addition to permitting the rehabilitation of a debtor, chapter 11 promotes equality of treatment of similarly situated claims and similarly situated equity interests with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the bankruptcy court having jurisdiction over a particular chapter 11 case makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan, and any creditor of, or holder of an equity interest in, a debtor. Subject to certain limited exceptions, the confirmation order discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

In order to solicit acceptances of a proposed plan, however, section 1126 of the Bankruptcy Code requires a debtor and any other plan proponent to conduct such solicitation pursuant to a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtors are submitting this Disclosure Statement in accordance with the Disclosure Statement Order and the requirements of section 1126 of the Bankruptcy Code.

III.

OVERVIEW OF THE DEBTORS' OPERATIONS AND THE CHAPTER 11 CASES

A. Formation of the Debtors' Operations

~~Prior to September 2006, Crescent Resources was a single-member limited liability company owned by~~

In the months immediately prior to September 2006, Duke Ventures, LLC ("Duke")~~. On September 6, 2006, Duke closed an agreement whereby it created a newly formed joint venture, Crescent Holdings (the "2006 Duke Transaction"). Pursuant to the terms of the 2006 Duke Transaction, Duke contributed all of its membership interests in Crescent Resources to Crescent Holdings, and subsequently, various Morgan Stanley members acquired a 49% membership interest in Crescent Holdings from Duke.~~ , a Nevada limited liability company, was the sole owner of Crescent Resources. Duke, in turn, was a wholly-owned direct or indirect subsidiary of Duke Capital, LLC. On September 7, 2006, a Formation and Sale Agreement was entered into between Duke, Crescent Resources and several Morgan Stanley real estate investment entities[15] whereby the Parties agreed that: (a) Crescent Resources had, pre-transaction, an enterprise value of $2.075 billion; (b) Duke would form Crescent Holdings and contribute its equity interest in Crescent Resources to Crescent Holdings; (c) Crescent Resources would enter into the 2006 Credit Agreement (defined below) from which $1,187,000,000 in term loan proceeds would be distributed to Crescent Holdings, with Crescent Holdings then distributing such proceeds directly (and solely) to Duke; (d) Morgan Stanley Real Estate Fund would purchase 49% of the membership interests in Crescent Holdings from Duke for $414 million; and (e) Crescent Holdings would enter into an employment agreement with Arthur W. Fields which provided, among other things, for the issuance to Mr. Fields of 2% of the membership interests in Crescent Holdings (the "2006 Duke Transaction").

Contemporaneous with the foregoing transaction, Crescent Holdings and certain of its subsidiaries entered into that certain Credit Agreement (the "2006 Credit Agreement") among Bank of America, N.A. as administrative agent and collateral agent, the lenders party thereto from time to time as lenders, Crescent Resources as the borrower and Crescent Holdings and certain of its subsidiaries as guarantors, whereby Crescent Resources received: (a) $1.225 billion in term loan proceeds; (b) a $200 million unfunded revolving credit commitment; and (c) a letter of credit subfacility commitment not to exceed $100 million. Of the proceeds of the $1,225,000,000 in term loans, $1,187,000,000 were distributed to Duke as described in the foregoing paragraph with such proceeds being ultimately distributed to its parent, Duke Capital, LLC.

[15] Morgan Stanley entities purchasing equity on September 7, 2006, were (i) Morgan Stanley Real Estate Fund V U.S., LP; (ii) Morgan Stanley Real Estate Fund V Special U.S., LP; (iii) Morgan Stanley Real Estate Investors V U.S., LP; (iv) MSP Real Estate Fund V, LP; and (v) Morgan Stanley Strategic Investments, Inc.

As a continuation of the 2006 Duke Transaction, liens were granted to the Prepetition Lenders on depository accounts in 2007 and mortgages on real property of Crescent Resources and certain subsidiaries were created in 2008.

The 2006 Duke Transaction, comprised of the Formation and Sale Agreement, the related financing transaction evidenced by the 2006 Credit Agreement, and the distribution of the loan proceeds to Duke, was approved by the then serving managers and directors of Crescent Resources, Crescent Holdings, Duke and Duke Capital, LLC and the various approval committees then appointed under the applicable corporate or limited liability company documentation for such entities.

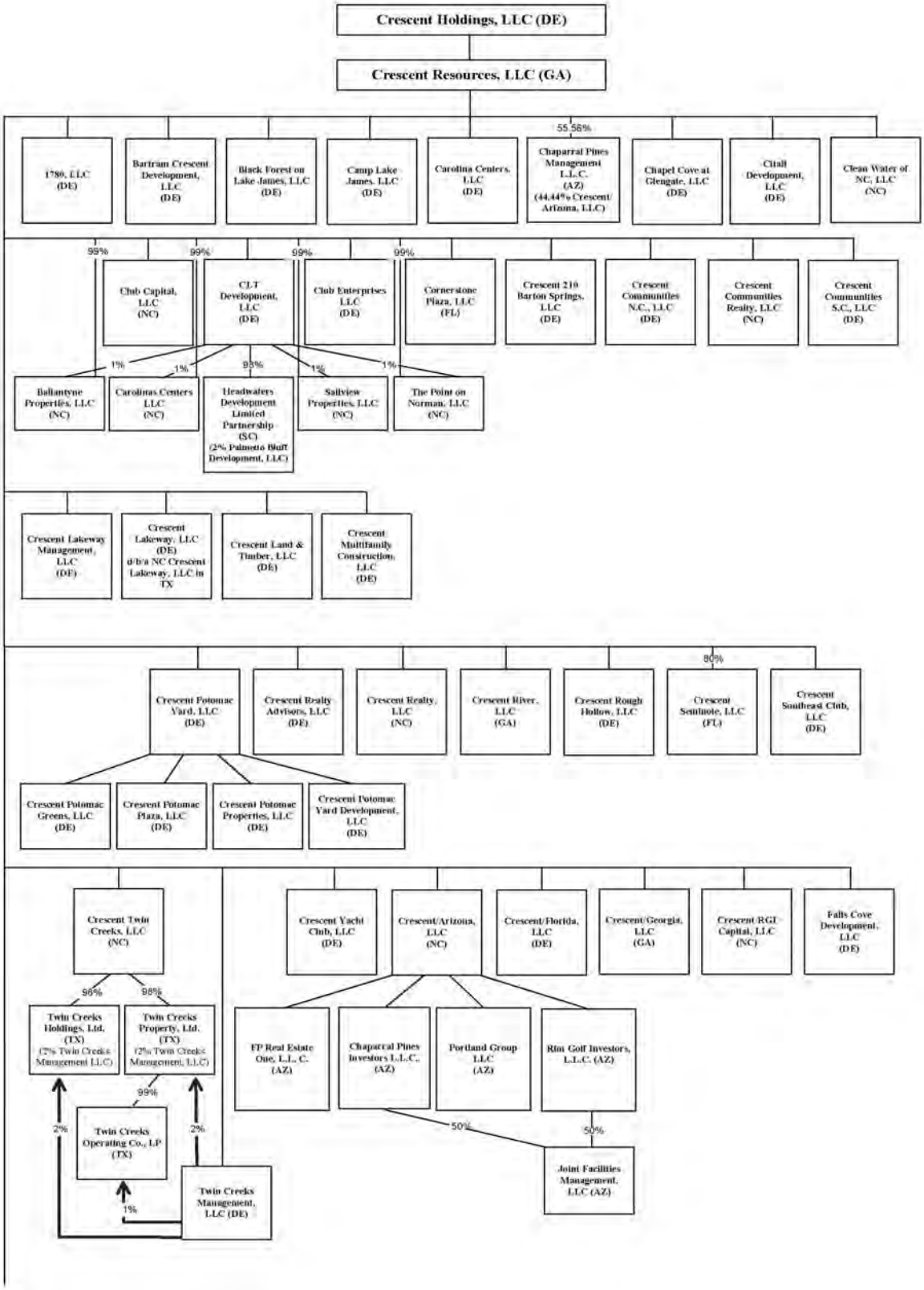
B. Description of the Debtors' Operations

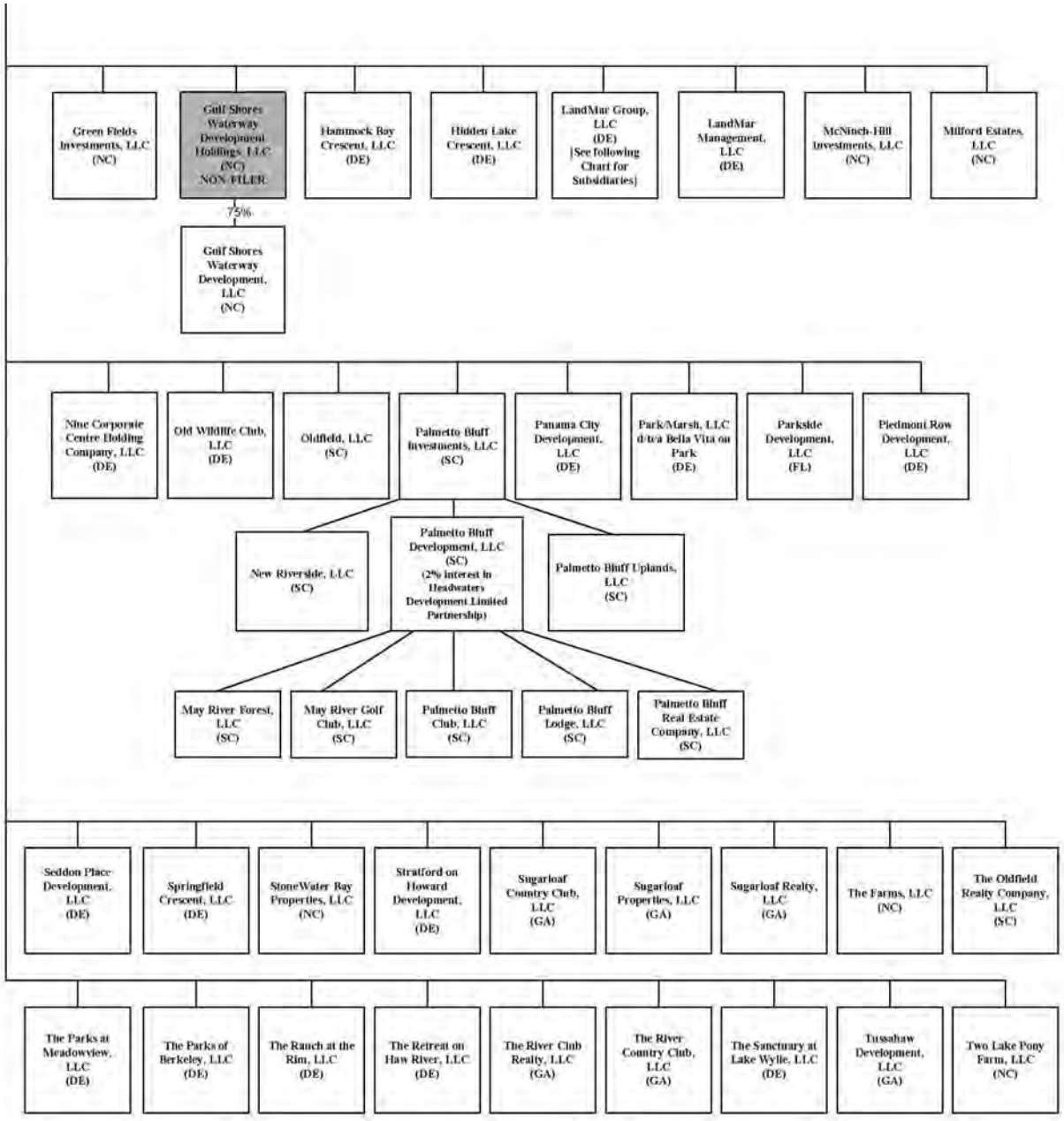
The Crescent Enterprise[16] is a major real estate development and management organization with interests in nine states in the southeastern and southwestern United States. Since 1969, it has been developing, owning, leasing, managing, and selling real estate that includes master-planned residential and resort communities and office, industrial, retail, and mixed-use developments. The Crescent Enterprise is headquartered in Charlotte, North Carolina and operates through four divisions (each a "Division", collectively, the "Divisions"): residential, commercial, multifamily, and land management. The residential division (the "Residential Division") is the Crescent Enterprise's largest division, comprising approximately 42% of its total assets. The Residential Division includes 41 master-planned communities and four condominium projects totaling 53,404 acres of developed land. The commercial division (the "Commercial Division") accounts for approximately 19% of the Crescent Enterprise's total assets. The Commercial Division has eight active projects, currently under development, as well as 1,617 acres of commercially-zoned, undeveloped land. The multifamily division (the "Multifamily Division") accounts for approximately 3% of the Crescent Enterprise's total assets. The Multifamily Division includes four projects in various stages of development, totaling 1,308 units and an additional 195 acres of entitled, but undeveloped land. The land management division (the "Land Management Division"), manages approximately 65,000 of acres of undeveloped land and accounts for approximately 36% of the Crescent Enterprise's total assets. The Crescent Enterprise is respected in the real estate industry for its development and management expertise across these various Divisions, and each of the Divisions employs key, experienced managers to operate its projects. Below is an overview of the Debtors' current corporate structure.[~~10~~17]

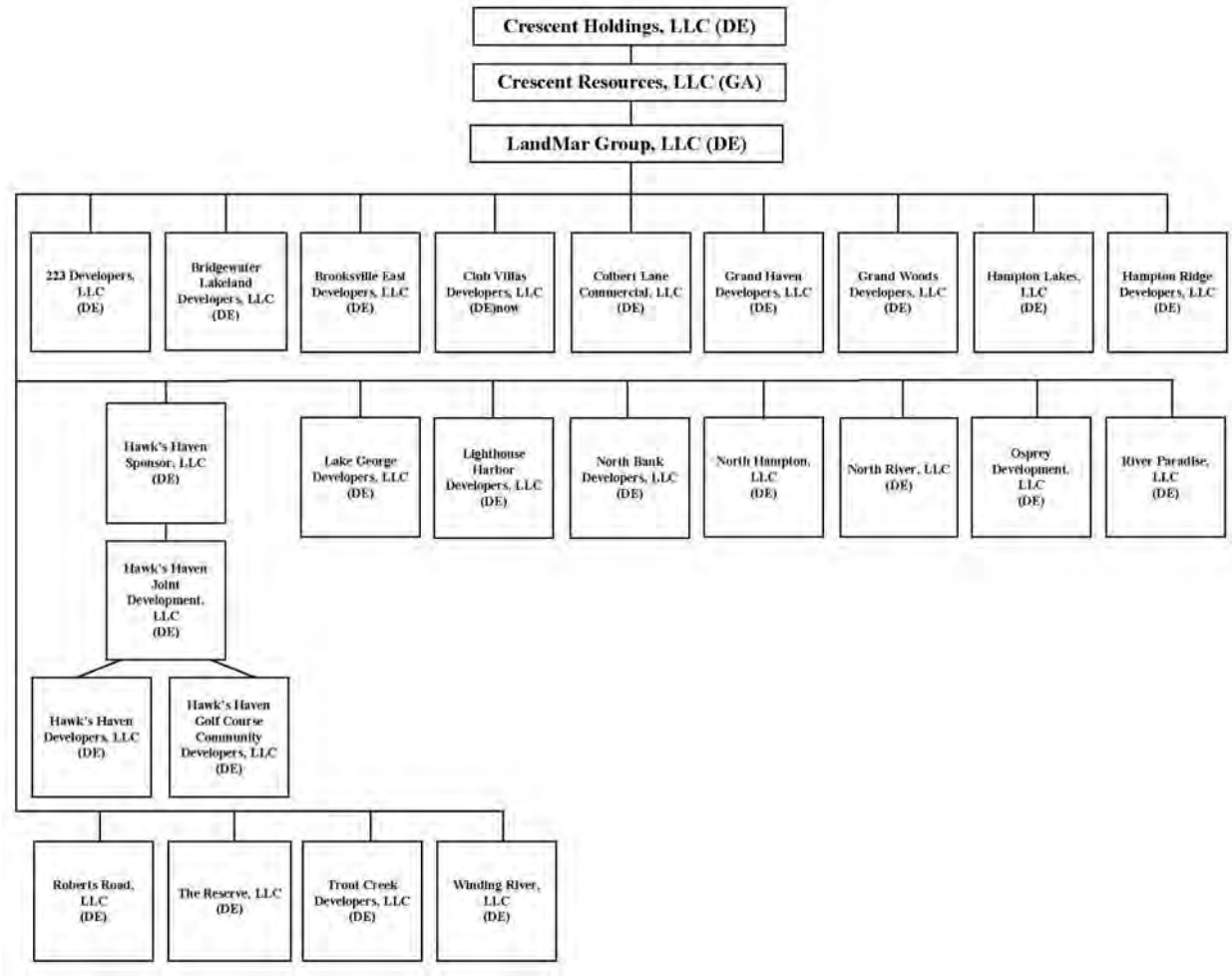
---

[16] Attached hereto as Exhibit C is a chart delineating which Debtor entity is associated with each of Debtors' various projects.

[~~10~~17] All percentages herein are based on total assets by Division, including project-level assets, investments in unconsolidated affiliates and notes receivable. The measurement for total assets by Division does not include "other" assets such as cash and cash equivalents, restricted cash, accounts receivable, and goodwill.


Crescent Holdings, LLC (DE)
Crescent Resources, LLC (GA)
1780, LLC (DE)
Bartram Crescent Development, LLC (DE)
Black Forest on Lake James, LLC (DE)
Camp Lake James, LLC (DE)
Carolina Centers, LLC (DE)
55.56%
Chaparral Pines Management L.L.C. (AZ) (44.44% Crescent/ Arizona, LLC)
Chapel Cove at Glengate, LLC (DE)
Citall Development, LLC (DE)
Clean Water of NC, LLC (NC)
99%
99%
99%
99%
Club Capital, LLC (NC)
CLT Development, LLC (DE)
Club Enterprises LLC (DE)
Cornerstone Plaza, LLC (FL)
Crescent 210 Barton Springs, LLC (DE)
Crescent Communities N.C., LLC (DE)
Crescent Communities Realty, LLC (NC)
Crescent Communities S.C., LLC (DE)
1%
1%
93%
1%
1%
Ballantyne Properties, LLC (NC)
Carolinas Centers LLC (NC)
Headwaters Development Limited Partnership (SC) (2% Palmetto Bluff Development, LLC)
Sallview Properties, LLC (NC)
The Point on Norman, LLC (NC)
Crescent Lakeway Management, LLC (DE)
Crescent Lakeway, LLC (DE) d/b/a NC Crescent Lakeway, LLC in TX
Crescent Land & Timber, LLC (DE)
Crescent Multifamily Construction, LLC (DE)
80%
Crescent Potomac Yard, LLC (DE)
Crescent Realty Advisors, LLC (DE)
Crescent Realty, LLC (NC)
Crescent River, LLC (GA)
Crescent Rough Hollow, LLC (DE)
Crescent Seminole, LLC (FL)
Crescent Southeast Club, LLC (DE)
Crescent Potomac Greens, LLC (DE)
Crescent Potomac Plaza, LLC (DE)
Crescent Potomac Properties, LLC (DE)
Crescent Potomac Yard Development, LLC (DE)
Crescent Twin Creeks, LLC (NC)
Crescent Yacht Club, LLC (DE)
Crescent/Arizona, LLC (NC)
Crescent/Florida, LLC (DE)
Crescent/Georgia, LLC (GA)
Crescent/RGI Capital, LLC (NC)
Falls Cove Development, LLC (DE)
98%
98%
Twin Creeks Holdings, Ltd. (TX) (2% Twin Creeks Management LLC)
Twin Creeks Property, Ltd. (TX) (2% Twin Creeks Management, LLC)
99%
2%
2%
Twin Creeks Operating Co., LP (TX)
1%
Twin Creeks Management, LLC (DE)
FP Real Estate One, L.L.C. (AZ)
Chaparral Pines Investors L.L.C. (AZ)
Portland Group LLC (AZ)
Rim Golf Investors, L.L.C. (AZ)
50%
50%
Joint Facilities Management, LLC (AZ)


Green Fields Investments, LLC (NC)
Gulf Shores Waterway Development Holdings, LLC (NC) NON-FILER
Hammock Bay Crescent, LLC (DE)
Hidden Lake Crescent, LLC (DE)
LandMar Group, LLC (DE) (See following Chart for Subsidiaries)
LandMar Management, LLC (DE)
McNinch-Hill Investments, LLC (NC)
Milford Estates, LLC (NC)
75%
Gulf Shores Waterway Development, LLC (NC)
Nine Corporate Centre Holding Company, LLC (DE)
Old Wildlife Club, LLC (DE)
Oldfield, LLC (SC)
Palmetto Bluff Investments, LLC (SC)
Panama City Development, LLC (DE)
Park/Marsh, LLC d/b/a Bella Vita on Park (DE)
Parkside Development, LLC (FL)
Piedmont Row Development, LLC (DE)
New Riverside, LLC (SC)
Palmetto Bluff Development, LLC (SC) (2% interest in Headwaters Development Limited Partnership)
Palmetto Bluff Uplands, LLC (SC)
May River Forest, LLC (SC)
May River Golf Club, LLC (SC)
Palmetto Bluff Club, LLC (SC)
Palmetto Bluff Lodge, LLC (SC)
Palmetto Bluff Real Estate Company, LLC (SC)
Seddon Place Development, LLC (DE)
Springfield Crescent, LLC (DE)
StoneWater Bay Properties, LLC (NC)
Stratford on Howard Development, LLC (DE)
Sugarloaf Country Club, LLC (GA)
Sugarloaf Properties, LLC (GA)
Sugarloaf Realty, LLC (GA)
The Farms, LLC (NC)
The Oldfield Realty Company, LLC (SC)
The Parks at Meadowview, LLC (DE)
The Parks of Berkeley, LLC (DE)
The Ranch at the Rim, LLC (DE)
The Retreat on Haw River, LLC (DE)
The River Club Realty, LLC (GA)
The River Country Club, LLC (GA)
The Sanctuary at Lake Wylie, LLC (DE)
Tussahaw Development, LLC (GA)
Two Lake Pony Farm, LLC (NC)



1. The Residential Division

The Residential Division is an industry leader in the development of master-planned communities ("MPCs"). The Residential Division operates with a strong focus on unique, one-of-kind assets in premier residential destinations. The Division's brand is best known for its authentic communities and the quality of its operations, which attracts buyers in the primary, secondary, and retirement home markets. Currently, the Residential Division has 41 MPCs and four condominium projects.

Due to the recent downturn in the real estate market, certain of the Division's developments have a large number of homes and lots for resale which significantly impact the Division's ability to sell Crescent-owned lots. However, certain of the Division's more prestigious residential communities have been less affected by these market conditions.

a. Home Lots and Land Parcels

Developed home lots and undeveloped land parcels in various residential communities constitute a major portion of the Residential Division's inventory.

b. Residential Communities

The Debtors currently own approximately 45 residential communities, including the award-winning Palmetto Bluff development in Bluffton, South Carolina and the Lake James development in the mountains of North Carolina. While these residential communities have experienced a significant downturn in sales activity in the last few years, the Debtors are confident that they can control both the hard and soft costs of maintaining these assets until the real estate market improves. Many of these residential communities have golf and other recreational clubs as part of their amenities, which the Debtors have subsidized, in part, over the last few years. However, the Debtors have begun and will continue to implement cost-saving strategies as part of the Plan to minimize the subsidy funding requirements. Some of the Debtors' residential communities are highlighted below.

(i) Palmetto Bluff (Bluffton, South Carolina)

Palmetto Bluff, the Debtors' premier development, is comprised of 22,000 acres of which roughly 15,000 acres the Debtors own (including 7,300 acres of managed forest and conservation areas), in addition to 32 miles of riverfront property along the May, Cooper, and New Rivers. Palmetto Bluff is located midway between Savannah, Georgia and Hilton Head Island, South Carolina. This development is a high-end destination for primary, secondary, and retirement home buyers. Most of the infrastructure is complete, including an equestrian facility, a Jack Nicklaus signature golf course, and a 50-room award-winning luxury inn (the "Inn"), and approximately 600 developed lots have been sold; however, the entire tract is not yet developed (roughly 28% of the project has been developed based on the current plan). When fully developed, the Palmetto Bluff community will include a series of communities totaling between 2,400 to 2,800 dwelling units.[~~11~~18] The remaining land and dwelling-unit entitlements (consisting of approximately 75% of the tract) are classified as investment land and will be evaluated for development opportunities in smaller increments over the remaining life of the project.

(ii) Lake James (Lake James, North Carolina)

The Lake James residential development is located in Burke and McDowell counties in the mountains of western North Carolina and is a short drive from Charlotte and Raleigh. The developments are in close proximity to several state and national parks and wilderness areas such as Linville Gorge, South Mountains State Park, and Pisgah National Forest. The Lake James communities includes three active projects, namely, 1780, Old Wildlife Club, and Black Forest Phase II, consisting of platted lots for approximately 293 dwelling units on 1,855 acres. Future development is possible but will depend on the absorption rates of the existing phases. Lake James offers a variety of lots with waterfront or mountain views ranging from 1 to 14 acres in size. Lake James also includes a full-service amenity area known as Camp Lake James that offers members a wide-array of facilities, including a social hall with a fitness center, swimming pool, tennis courts, boat docks, lake-front beach, and an extensive nature trail system.

[~~11~~18] The Debtors have been funding operational deficits at the Inn. The Debtors believe that the Inn is an important part of the overall success of the Palmetto Bluff development.

This development continues to be a promising destination for buyers in the primary and secondary home markets; however, the Debtors have been required to provide deficit funding to operate some of the facilities.

2. The Commercial Division

The Commercial Division offers three types of business services: (i) building and land investment management services, (ii) property management and leasing services, and (iii) property development and construction management services. The Commercial Division is primarily concentrated in the southeast United States and targets urban centers with significant populations, employment growth, and transportation centers, such as Charlotte, Atlanta, Nashville, Tampa, and Orlando.

Historically, the Commercial Division's strategy has been to develop high-end office and commercial buildings, lease them with tenants, and subsequently convey the property interest while retaining a role as property manager and leasing agent for the new owner. Going forward, the Debtors intend to continue with the same strategy for the Commercial Division.

a. Building and Land Investment Management Services

The Commercial Division currently oversees 31 distinct land developments, including ten vertical development projects. These projects include approximately 1,600 gross acres of land which are entitled for approximately 14.2 million square feet of future development and existing buildings under development totaling approximately two-million square feet.

These properties include high-rise and suburban office, industrial/distribution, and retail/neighborhood shopping centers. Ownership structures include wholly-owned projects, fee build-to-suit projects, and joint ventures where certain of the Debtors have a co-investment interest in the project. Each of these properties (excluding build-to-suit projects) are being offered in their respective marketplaces on a "for lease" basis and are in various stages of construction and or lease-up.

b. Property Management and Leasing Services

The Commercial Division's property-management and leasing services have been consistently profitable and are uniquely positioned for future growth.

The Commercial Division currently manages and/or leases approximately 9.9 million square feet of commercial property, including owned and joint-venture properties, as well as third-party-owned institutional properties. The Commercial Division's customers include many of the top institutional owners of real estate in the United States.

The Commercial Division's property-management and leasing platform represents not only a profitable business segment but also provides a support platform for its other service offerings.

Since 2007, the Commercial Division has managed the construction of 15 buildings, comprising approximately three million square feet, and has earned approximately $21.1 million in management and service fees.

c. Development and Construction Management Services

The Commercial Division manages the development and construction of each of its land and building positions and also works on behalf of third-parties, primarily on a build-to-suit basis. The Commercial Division's team is deeply experienced across all product-line offerings including land acquisition and due diligence work, project entitlements, land and infrastructure development, building shell construction, and tenant build-out. Over the last five years, the Commercial Division has managed the construction of 20 buildings, comprising 4.6 million square feet.

The Debtors will focus on maintaining the Division's valuable assets through developing them on their own account, current partnerships ("Current Partnerships"), or by forming new strategic joint ventures ("Strategic JVs", together with the Current Partnerships, "Commercial JVs"). The Commercial JV strategy provides the Division with the opportunity to make a high return on land assets, while mitigating the risk of the Debtors' current exposure to the commercial real estate market. For those projects where the Debtors have no joint venture partners, the Commercial JV strategy will provide the Debtors with an opportunity to monetize a portion of their current interests and investments in the Commercial Division over the next ten years, while preserving the Debtors' opportunity to participate in the recovery of the real estate and capital markets. Additionally, the Commercial JV strategy will give the Debtors a platform to expand and grow their property and development management services.

The following table highlights some of the larger developments that the Commercial Division has completed.

Project Name	Location	Type	Square Feet
Potomac Yards I and II	Arlington, VA	Office	619,920
Piedmont Town Center One and Two	Charlotte, NC	Office	417,013
International Plaza One	Tampa, FL	Office	383,694
International Plaza Three	Tampa, FL	Office	285,000
Lakemont East – Wells Fargo BTS (1&2)	Charlotte, NC	Office	334,218
Central Florida Research Park	Orlando, FL	Office	160,000
Merial Build to Suit – 500 Satellite	Atlanta, GA	Office	132,250
Corporate Center 8 – Cool Springs	Nashville, TN	Office	156,160
AIG Insurance – Deerfield Two	Atlanta, GA	Office	132,620
			2,620,875

Some of the major on-going projects in the Commercial Division are highlighted below:

(i) Phipps Tower (Atlanta, Georgia)

Phipps Tower is being developed pursuant to a joint-venture agreement between a non-debtor affiliate and a third party. The project is located in the Buckhead submarket of Atlanta, Georgia and will be a 486,917 rentable square foot, class-A certified office tower and parking structure. The project is currently 95% complete and delivery is scheduled for the first quarter of 2010. The Buckhead market is extremely competitive and has four new commercial towers comprising two million square feet that will be delivered in the next 12 months.

(ii) Corporate Centre Nine (Nashville, Tennessee)

Corporate Centre Nine is a 155,919 square foot office building in the Cool Springs submarket of Nashville, Tennessee. The project was completed in December 2007 and is currently 7% leased. The Debtors have developed and sold 8 other buildings in the Cool Springs office park totaling over 1.1 million square feet.

(iii) Greenway Centre One (Nashville, Tennessee)

Greenway Centre One is a 154,737 square foot, 5-story, class-A office building in the Cool Springs submarket of Nashville, Tennessee. It is adjacent to Corporate Centre Nine. Construction was completed in December 2009 and there are numerous leasing prospects active in the market.

3. The Multifamily Division

The Multifamily Division develops a range of mixed-use, apartment communities. In particular, the Multifamily Division has expertise in superior-class, garden-style, and urban developments. It has recently undertaken four multifamily developments consisting of 1,300 units with a total cost of approximately $182 million. All of the Multifamily Division's developments are held by joint ventures between non-debtor subsidiaries of Crescent Resources and third parties. Additionally, Crescent Resources or its wholly-owned subsidiary own approximately 15 parcels of land. Like the Commercial Division, the Multifamily Division also earns revenues through development and other service fees.

Currently, there are four developments in the Multifamily Division, which are either complete or near completion. The Debtors also hold a 182-acre land portfolio which has the necessary zoning and development rights to build approximately 3,300 multifamily units. Certain of the Debtors' assets in this division are summarized below:

a. Circle at Crosstown (Tampa, Florida)

Circle at Crosstown is a joint venture between a non-debtor subsidiary of Crescent Resources, Crescent Florida Developer, LLC, and a third party. The development has been completed and includes 300 garden-style units in 12 three-story buildings, and 6 two-story

carriage unit buildings. The community's amenities include a state-of-the-art fitness center, cyber café, and a pool recreation facility.

b. Circle at South End (Charlotte, North Carolina)

Circle at South End is owned by a joint venture between Crescent South and Bland, LLC, a non-debtor subsidiary of Crescent Resources, and a third party. This mixed-use project, includes 360 apartments and 8,000 square feet of retail space. The community is located on a five-acre site in the South End district of Charlotte.

c. Circle at Concord Mills (Concord, North Carolina)

Circle at Concord Mills is owned by a joint venture between a non-debtor subsidiary of Crescent Resources, ~~CFM~~CMF Concord I, LLC, and a third party. Circle at Concord Mills is located on 22 acres in Concord, North Carolina and includes 312 garden-style apartment units, a clubhouse, and a pool. Circle at Concord Mills has received several awards including the Audubon International's Signature Sanctuary award, which was the first of its kind in the country.

As of the date of this Disclosure Statement, the construction phase for the entire community is complete and is currently in lease-up.

4. Land Management

The Land Management Division manages approximately 65,000 acres of raw land (the "Legacy Land") located in four main geographic areas from the foothills of North Carolina, through upstate South Carolina and into southeast Georgia. This Division increases the value of the Legacy Land through the entitlements process, environmental conservation, sound land management, and land improvements. The Land Management Division's main areas of Legacy Land are known as Catawba, Great Falls, Keowee, and Morganton.

The Land Management Division focuses on acquiring undeveloped, raw land in rural markets that demonstrate potential for growth. Typically, the Land Management Division identifies opportunities to purchase large unentitled and undeveloped tracts of land, develops the land for wholesale or retail sale, and then sells the land for increased values. Currently, the Debtors have two investment joint ventures pursuant to which they own the projects known as Wildcat and Bertha Mineral.

The Debtors believe that the Legacy Land holdings are valuable to the Debtors' estates. Due to low carry costs, the Land Management Division's overarching strategy is to hold these valuable assets for the future real estate rebound and to avoid short-sighted discounts as much as possible.

To help prospective buyers facilitate their purchase of Legacy Land, the Debtors have recently extended credit to buyers ("Legacy Land Seller Financing"). However, the Debtors intend to phase out Legacy Land Seller Financing by the end of 2010.

The four Legacy Land holdings are summarized below:

a. Catawba (North Carolina)

Catawba located in the path of growth north and south of Charlotte, has the most urban land holdings and is currently in the most advanced development phase of all the Legacy Land holdings. The Land Management Division is currently focused on targeting institutional investors, adjacent owners, environmental trusts, or municipalities to invest in or purchase land in Catawba; however, the market is not currently supporting many entitled-land-tract sales in the mixed-use and commercial sectors. The Debtors fully expect the market for these assets to rebound.

b. Great Falls (South Carolina)

Great Falls primarily consists of rural tracts of land with some waterfront and water-view land holdings. The Debtors are marketing Great Falls to adjacent land owners who may be interested in expanding their land holdings, as well as real-estate investors and developers. Great Falls is strategically located between Charlotte and Columbia, which is anticipated to be an area suited for future growth.

c. Keowee (South Carolina/Georgia)

Keowee is located in upstate South Carolina (with one tract in Georgia) and spans portions of the mountainous terrain around Lake Jocassee, the rolling hills around Lake Keowee, and the Savannah River Valley. The area has traditionally been popular for second home buyers and as a resort destination with appeal across the eastern seaboard.

d. Morganton (North Carolina)

Morganton's past success has been driven by the rural second home market and its proximity to the North Carolina mountains. The Debtors are focused on marketing Morganton to adjacent owners and institutional buyers, such as nature conservancies or the State. The lakes on the property, Lake James and Lake Rhodhiss, have been among the primary draws for customers in the past, and the Debtors expect that the market for waterfront and water-view land will return.

5. Crescent Resources' Employee and Management Overhead

As of December 31, 2009, the Debtors employed approximately 220 employees, of which 135 are full-time salaried employees, 73 are full-time hourly employees, 6 are part-time salaried employees, 5 are part-time hourly employees, and 1 is a temporary employee. Since January 2007, the employee count has been reduced from 417 employees to the current headcount. The Debtors have suspended certain bonus plans, incentive plans, and 401(k) matching plans during the pendency of the Debtors' cases. The reduction in work force and plan savings have provided the Debtors with approximately $13 million in savings.

Additionally, in an effort to save on overhead costs, the Debtors have closed or significantly downsized offices in Washington, D.C., Dallas, and Jacksonville as well as certain of the Residential Division's sale centers.

C. Significant Indebtedness

The Debtors' significant prepetition indebtedness is described below. In addition to this indebtedness for money borrowed, the Debtors estimate that they have prepetition trade accounts payable and other general unsecured claims of approximately $430 million.

1. The Prepetition Credit Agreement

Before the Commencement Date, the Debtors were parties to the Prepetition Credit Agreement, by and among the Prepetition Lenders and Bank of America, as administrative agent (the "Agent").

The Prepetition Credit Agreement provides for (i) a term loan facility in the amount of $1,225,000,000, (ii) a revolving credit commitment in the amount of $300,000,000, which was to automatically reduce to $275,000,000 on December 30, 2009, (iii) a swing line commitment in the amount of $50,000,000, which reduces borrowings available under the revolving credit commitment, and (iv) a letter of credit commitment in the amount of $150,000,000, which reduces borrowings available under the revolving credit commitment (collectively, the "Prepetition Loan"). Obligations arising under the Prepetition Credit Agreement are direct obligations of Crescent Resources. Such direct obligations are guaranteed (the "Guaranty") by (i) Crescent Holdings and (ii) many of the additional Debtors, pursuant to the terms of (A) the Prepetition Credit Agreement, (B) that certain Amended and Restated Joinder Agreement, dated as of June 17, 2008, by and between the entities party thereto and the Agent, and (C) that certain Joinder Agreement, dated as of July 25, 2008, by and between the entities party thereto and the Agent (the Joinder Agreements in (B) and (C), collectively, the "Joinder Agreements").

In addition to the Guaranty, certain of the Debtors[~~12~~19] (the "Pledgors") entered into that certain Pledge Agreement, dated September 7, 2006, by and between the Pledgors and the Agent and those certain Joinder Agreements, pursuant to which the Pledgors pledged to the Agent 100% of the capital stock of any domestic subsidiary, direct or indirect, other than a non-pledged subsidiary (the "Pledged Shares"). Certain of the Debtors also granted mortgages or deeds of trust on certain real properties (the "Mortgaged Property"). Crescent Resources entered into that certain Account Security, Pledge, Assignment and Control Agreement, dated August 24, 2007, pursuant to which Crescent Resources granted to the Agent a security interest and control over all deposit accounts opened by Crescent Resources with the Agent.

[~~12~~19] The Debtors holding equity interests pledged on the Commencement Date under the Pledge Agreement, include: Crescent Resources; Crescent Holdings; CLT Development, LLC, Crescent Potomac Yard, LLC, Crescent Twin Creeks, LLC; Crescent/Arizona, LLC; Palmetto Bluff Development, LLC; Palmetto Bluff Investments, LLC; Twin Creeks Management, LLC; Twin Creeks Property, Ltd.; LandMar Group, LLC; Hawk's Haven Joint Development, LLC; and Hawk's Haven Sponsor, LLC.

The aggregate principal amount of indebtedness owing under the Prepetition Credit Agreement as of the Commencement Date was approximately $1,494,377,346, plus other outstanding obligations under secured swap contracts with certain of the Prepetition Lenders in an amount not less than $27,154,794 plus additional fees, costs, interest, and reimbursable expenses.

2. The Asset-Level Debt

Approximately seven of the Debtors also have secured asset-level debt in the form of construction loans, mortgage loans, and seller-financed loans. As of the Commencement Date, there was approximately $89,110,601 in outstanding asset-level debt. Below is a description of each of these asset-level debt credit facilities.

a. Grand Woods

Before the Commencement Date, one of the Debtors, Grand Woods Developers, LLC, entered into the following documents in favor of Palm Coast Forest, LLC, as lender (the "Grand Woods Lender"):

(i) a certain Real Estate Mortgage, dated August 28, 2006, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "2006 GW Mortgage"), securing a promissory note in the original principal amount of $1,800,000, dated August 28, 2006, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "2006 GW Note"); and

(ii) a certain Real Estate Mortgage dated November 30, 2007, as modified by a certain Modification of Note and Mortgage Agreement dated December 29, 2008 (the "2007 GW Mortgage" and, together with the 2006 GW Mortgage, the "Grand Woods Prepetition Mortgages") securing a promissory note in the original principal amount of $2,250,000, dated November 30, 2007, as modified by a certain Modification of Note and Mortgage Agreement dated December 29, 2008 (the "2007 GW Note" and, together with the 2006 GW Note, the "Grand Woods Notes").

The loans evidenced by the Grand Woods Notes were purchase-money loans provided by the Grand Woods Lender in order for Grand Woods Developers, LLC to acquire the Grand Woods project, located in Flagler County, Florida. The Grand Woods Notes are in default due to missed debt-service payments. The maturity date of the 2006 GW Note is August 25, 2011 and the maturity date of the 2007 GW Note is November 30, 2012. Neither of the Grand Woods Notes is guaranteed.

As of the date of this Disclosure Statement, the Grand Woods Notes have been fully drawn and the aggregate principal amount of indebtedness owing under the Grand Woods Notes is estimated at approximately $3,487,500.

b. Grand Reserve

Before the Commencement Date, one of the Debtors, Roberts Road, LLC, entered into the following documents in favor of Florida Landmark Communities, Inc. as lender (the "Grand Reserve Lender"):

(i) a certain Real Estate Mortgage, dated March 31, 2005, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 and a certain Second Modification of Note and Mortgage Agreement dated December 18, 2008 (the "2005 GR Mortgage"), securing a promissory note in the original principal amount of $1,754,100, dated March 31, 2005, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 and a certain Second Modification of Note and Mortgage Agreement dated December 18, 2008 (the "2005 GR Note");

(ii) a certain Real Estate Mortgage, dated September 29, 2006, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "2006 GR Mortgage "), securing a promissory note in the original principal amount of $753,136.80, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "2006 GR Note"); and

(iii) a certain Real Estate Mortgage, dated September 26, 2007, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "2007 GR Mortgage ", and together with the 2005 GR Mortgage and the 2006 GR Mortgage, the "Grand Reserve Prepetition Mortgages"), securing a promissory note in the original principal amount of $493,010.88, dated September 26, 2007, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "2007 GR Note" and, together with the 2005 GR Note and the 2006 GR Note, the "Grand Reserve Notes").

The loans evidenced by the Grand Reserve Notes were purchase money loans provided by the Grand Reserve Lender in order for Roberts Road, LLC to acquire the land for the Grand Reserve project in Flagler County, Florida. The Grand Reserve Notes are in default due to missed debt-service payments. The maturity date of the 2005 GR Note is March 31, 2010, the maturity date of the 2006 GR Note is September 29, 2011 and the maturity date of the 2007 GR Note is September 26, 2012. None of the Grand Reserve Notes is guaranteed.

As of the date of this Disclosure Statement, the Loan has been fully drawn and aggregate principal amount of indebtedness owing under the Grand Reserve Notes is approximately $1,910,263.

c. Grand Landings

Before the Commencement Date, one of the Debtors, The Reserve, LLC, entered into the following documents in favor of Florida Landmark Communities, Inc. as lender (the "Grand Landings Lender"):

(i) a certain Real Estate Mortgage, dated February 25, 2004, as modified by a certain Mortgage Modification and Mortgage Spreading Agreement dated September 23, 2005, a certain Modification of Note and Mortgage Agreement, dated November 30, 2007, a certain

Second Modification of Note and Mortgage Agreement dated August 6, 2008 and a certain Third Modification of Note and Mortgage Agreement dated December 18, 2008 (the "2004 GL Mortgage") securing a promissory note in the original principal amount of $1,800,000, dated February 25, 2004, as modified by a certain Modification of Note and Mortgage Agreement, dated November 30, 2007, a certain Second Modification of Note and Mortgage Agreement dated August 6, 2008 and a certain Third Modification of Note and Mortgage Agreement dated December 18, 2008 (the "2004 GL Note");

(ii) a certain Real Estate Mortgage, dated September 20, 2006, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "C1/C2/C3 Mortgage"), securing a promissory note in the original principal amount of $1,239,000, dated September 20, 2006, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "C1/C2/C3 Note");

(iii) a certain Real Estate Mortgage, dated September 20, 2006, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "Seminole Woods Mortgage"), securing a promissory note in the original principal amount of $300,000, dated September 20, 2006, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "Seminole Woods Note"); and

(iv) a certain Real Estate Mortgage, dated September 20, 2006, as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 ("Fly-In Mortgage" and, together with the 2004 GL Mortgage, the C1/C2/C3 Mortgage and the Seminole Woods Mortgage, the "Grand Landings Prepetition Mortgages"), securing a promissory note in the original principal amount of $450,000 as modified by a certain Modification of Note and Mortgage Agreement dated November 30, 2007 (the "Fly-In Note" and, together with the 2004 GL Note, the C1/C2/C3 Note and the Seminole Woods Note, the "Grand Landings Notes").

The loans evidenced by the Grand Landings Notes were purchase money loans provided by the Grand Landings Lender in order for The Reserve LLC to acquire the land for the Grand Landings project in Flager County, Florida. The Grand Landings Notes are in default due to missed debt-service payments. The maturity date of the 2004 GL Note was June 16, 2009 and the maturity date of each of the C1/C2/C3 Note, the Seminole Woods Note and the Fly-In Note is September 20, 2011. None of the Grand Landings Notes is guaranteed.

As of the date of this Disclosure Statement, each of the Grand Landings Notes has been fully drawn and the aggregate principal amount of indebtedness owing under the Grand Landings Notes is approximately $2,031,750.

~~***d. The Rim***~~

~~Before the Commencement Date, one of the Debtors, Rim Golf Investors L.L.C. (as successor in interest to Chaparral Pines L.L.C.), granted to Rim Country Lender, L.L.C. (f/k/a The Rim Golf Club, L.L.C.) as lender (the "Rim Lender") a certain Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated April 3, 1997, as modified by a certain Amendment No. 1 to Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated May 11, 1998 (the "Rim Prepetition Mortgage"), which~~

~~secures a loan in the original principal amount of $16,295,000 (the "Rim Loan"; and the note given by Rim Golf Investors L.L.C. to Rim Lender in connection with the Rim Prepetition Mortgage and evidencing the Rim Loan is referred to as the "Rim Note"). The Rim Prepetition Mortgage encumbers real property in Payson, Arizona (the "Rim Collateral"). The Rim Loan is due to mature on July 15, 2011. The Rim Loan is not guaranteed.~~

~~As of the date of this Disclosure Statement, the Rim Loan has been fully drawn and the aggregate principal amount of indebtedness owing under the Rim Note is approximately $464,087.~~

Currently, LandMar Group, LLC, LandMar Management, LLC, The Reserve, LLC, Roberts Road, LLC, and Grand Woods Developers, LLC are negotiating a settlement agreement with Florida Landmark Communities, Inc. to convey the assets to the secured parties in satisfaction of the claims related to the loans and related documents described in subsections (a) through (c) above. The Debtors intend to stipulate that all assets will be conveyed to the secured parties subject to all outstanding *ad valorem* tax obligations.

d. ~~***e.***~~ ***Portland Place***

Before the Commencement Date, one of the Debtors, Portland Group, LLC, granted to the City of Phoenix, as lender (the "City Lender") (i) a certain Deed of Trust, dated March 15, 2005 (the "Phase One Acquisition Prepetition Mortgage"), securing a deferred purchase money loan in the original principal amount of $200,000 (the "Phase One Loan"; and the note given by Portland Group, LLC to City Lender in connection with the Phase One Acquisition Prepetition Mortgage and evidencing the Phase One Loan is referred to as the "Phase One Note")) and (ii) a certain Deed of Trust, dated October 18, 2007 (the "Phase Two Acquisition Prepetition Mortgage"), securing a deferred loan in the original principal amount of $400,000 (the "Phase Two Loan"; and the note given by Portland Group, LLC to City Lender in connection with the Phase Two Acquisition Prepetition Mortgage and evidencing the Phase Two Loan is referred to as the "Phase Two Note"). The Phase One Acquisition Prepetition Mortgage encumbers real property in Phoenix, Arizona and the Phase Two Acquisition Prepetition Mortgage encumbers separate real property in Phoenix, Arizona.

The Phase One Acquisition Prepetition Mortgage and the Phase Two Acquisition Prepetition Mortgage are hereinafter collectively referred to as the "Portland Place Prepetition Mortgage", the Phase One Loan and the Phase Two Loan are hereinafter collectively referred to as the "Portland Loan", and the Phase One Note and the Phase Two Note are hereinafter collectively referred to as the "Portland Place Note".

There is no maturity date for the Portland Loan, and it is paid off in increments as condominium units are sold to third parties. The Portland Loan was provided by the City Lender in order for Portland Group, LLC to acquire the Portland Place condominium project, located in Phoenix, Arizona. The Portland Loan is not guaranteed.

As of the date of this Disclosure Statement, the Portland Loan has been fully drawn and the aggregate principal amount of indebtedness owing under the Portland Place Note is approximately $425,926.

e. ~~*f.*~~ *TerraPointe*

Before the Commencement Date, one of the Debtors, 223 Developers, LLC, granted to TerraPointe LLC, as lender (the "TerraPointe Lender") a certain Purchase Money First Mortgage and Security Agreement, dated November 9, 2006, securing a loan (the "TerraPointe Loan") in the original principal amount of $17,500,000 (the "TerraPointe Prepetition Mortgage"). The note (the "TerraPointe Note") given by 223 Developers, LLC to the TerraPointe Lender in connection with the TerraPointe Prepetition Mortgage and evidencing the TerraPointe Loan is not in default and the maturity date of the TerraPointe Loan was November 9, 2009. The TerraPointe Loan was provided by the TerraPointe Lender in order for 223 Developers, LLC to acquire a parcel of land located in St. John's County, Florida, which served as collateral (the "TerraPointe Collateral") under the TerraPointe Prepetition Mortgage. The TerraPointe Loan is guaranteed by Landmark Group, an affiliate of the Debtor.

As discussed below, a motion brought by the Debtors to abandon the TerraPointe Collateral was approved by the Bankruptcy Court on June 25, 2009.

f. ~~*g.*~~ *Durango*

Before the Commencement Date, one of the Debtors, North River, LLC, granted to Bridge Associates, LLC, in its capacity as ~~Liquidating~~Litigation Trustee of the chapter 11 bankruptcy estates of Durango Georgia Paper Company, Durango Georgia Converting Company, and Durango Georgia Converting, LLC, as lender (collectively, the "Durango Prepetition Lender") a promissory note dated December 28, 2006 in the original principal amount of $29,450,000 (the "Durango Prepetition Note") and a certain Deed to Secure Debt and Security Agreement, dated December 28, 2006 (the "Durango Prepetition Mortgage"), to secure North River, LLC's obligations under the Durango Prepetition Note. The Durango Prepetition Note was a purchase money loan provided by the Durango Prepetition Lender to facilitate North River, LLC's acquisition of the Durango property, located in St. Mary's, Camden County, Georgia. The Durango Prepetition Lender agreed to a partial release of a portion of the Durango Prepetition Note as evidenced by a certain Partial Release of Lien and Deed to Secure Debt and Security Agreement dated February 20, 2007. The Durango Prepetition Note is in default due to missed debt service payments and the Durango Prepetition Lender filed a Complaint on Promissory Note against North River, LLC alleging that North River, LLC defaulted on the Durango Prepetition Note by failing to make the quarterly interest payments due under the Durango Prepetition Note. The Durango Prepetition Note is due to mature on December 28, 2013.

The Durango Prepetition Note is not guaranteed. As of the date of this Disclosure Statement, the Durango Prepetition Note has been fully drawn and the aggregate principal amount of indebtedness owing under the Durango Prepetition Note is approximately $29,450,000. Currently, the Debtors are negotiating a settlement with the Durango Prepetition Lender (or an affiliate thereof) to transfer the Collateral securing the obligations under the Durango Prepetition Note to the Durango Prepetition Lender in partial satisfaction of any Claims arising out of the Durango Prepetition Note and the related transactional documents. As part of the settlement, the Debtors intend to convey such Collateral subject to any outstanding *ad valorem* tax obligations and for the Durango Prepetition Lender (or an affiliate thereof) to satisfy

such obligations. In addition, North River also, as part of the settlement being negotiated, intends to convey two acres of land related to the Durango Property that do not secure any of the obligations under the Durango Prepetition Note and the related transactional documents.

g. ~~***h.***~~ ***Shipyards***

Before the Commencement Date, Jacksonville Riverfront Development, LTD. ("Riverfront"), the unrelated original developer and a predecessor-in-interest to one of the Debtors, North Bank Developers, LLC, granted to the City of Jacksonville, as lender (the "Jacksonville Prepetition Lender") a certain Mortgage and Security Agreement, dated April 15, 2002, in connection with a waterfront redevelopment project known as "The Shipyards" located in Jacksonville, Florida. Following defaults by Riverfront, North Bank Developers, LLC acquired the redevelopment site from Riverfront, subject to that Mortgage and Security Agreement, as modified by a certain Modification of Mortgage and Security Agreement between North Bank Developers, LLC and Jacksonville Prepetition Lender dated as of June 28, 2005 (as modified, the "Jacksonville Prepetition Mortgage"). The Jacksonville Prepetition Mortgage secures: (i) certain obligations of North Bank Developers, LLC under the Jacksonville Prepetition Mortgage, including North Bank Developers, LLC's obligations to cause LandMar to perform its obligations under that certain Redevelopment Agreement dated June 28, 2005, between Jacksonville Prepetition Lender, the local redevelopment agency known as the Jacksonville Economic Development Commission and LandMar (the "Redevelopment Agreement"), (ii) the obligations of another Debtor, LandMar, under the Redevelopment Agreement, and (iii) the obligations of another Debtor, Crescent Resources to the Jacksonville Prepetition Lender pursuant to that certain Performance and Completion Guaranty dated as of June 28, 2005 (the "Prepetition Guaranty") to guarantee LandMar's completion of certain public improvements pursuant to the requirements of the Redevelopment Agreement. The Redevelopment Agreement, the Jacksonville Prepetition Mortgage and the Prepetition Guaranty are in default due to missed debt service and *ad valorem* tax payments, failure to complete the public improvements, and other defaults, and North Bank Developers, LLC, LandMar and Crescent Resources are in discussions with the Jacksonville Prepetition Lender in order to come to a resolution of the Jacksonville Prepetition Lender's claims under the Jacksonville Prepetition Mortgage, the Redevelopment Agreement, and under the Prepetition Guaranty.

On February 19, 2010, the Court entered an order lifting the automatic stay and authorizing the Jacksonville Prepetition Lender and the Jacksonville Economic Development Commission to foreclose the Jacksonville Prepetition Mortgage.

3. The Post-Petition Credit Agreement

Crescent Resources (for itself and on behalf of all of the other Debtors to guaranty Crescent Resources' obligations) was able to obtain post-petition financing from Bank of America, (the "DIP Agent"), Wachovia Bank, N.A., and Five Mile Capital Partners, LLC as co-agents, and a syndicate of DIP Lenders which are parties to the DIP Credit Facility for cash advances and other extensions of credit in an aggregate principal sum of up to $110,000,000 plus accrued interest on the aggregate principal amount (the "DIP Loan") to fund ongoing capital and general corporate needs of the Debtors during these chapter 11 cases.

The Debtors were required to draw down $30 million on the DIP Loan in July and September of 2009; however, the Debtors have not used such DIP Loan funds. The allocation for repayment of the $30 million by each Debtor is provided for in the Liquidation Analysis attached hereto as **Exhibit G**. As of December 31, 2009, the outstanding balance under the DIP Loan was $30 million, and the Debtors' unrestricted cash balance was $48,780,122.

D. Significant Events Leading to the Commencement of the Chapter 11 Cases

Historically, much of the Crescent Enterprise business has been comprised of sales in the Residential and Land Management Divisions. In more recent years, the Debtors diversified their focus by expanding and concentrating on the Commercial and Multifamily Divisions. Although the Debtors attempted to offset the Residential Division's decline with gains and profits in other Divisions, the Debtors' falling residential sales ultimately outpaced gains in other Divisions. Commencing in late 2007, the Debtors suffered over a 50% decline in profitability primarily caused by the weakness in the residential market.

In the initial stages of the market downturn, the Debtors also attempted to reposition themselves by managing and improving cash flow. To this end, the Crescent Enterprise implemented a number of management and investment strategy changes. The Crescent Enterprise deferred hard costs and minimized soft costs, such as marketing and project administration, across various projects in the Residential Division. In addition, the Crescent Enterprise re-evaluated all of its assets and attempted to monetize certain land holdings through dispositions and investment offerings. Finally, the Crescent Enterprise engaged in some management changes in an effort to focus talent and expertise in the areas they believed at the time to be most suited for growth.

The challenging residential environment was only exacerbated by the failure of the credit markets in the third quarter of 2008. Not only did the Crescent Enterprise have a problem raising capital for investments and carry costs, but their customer base found it increasingly difficult to finance purchases. Further, the industry-wide decline in real estate values impacted the ability for Crescent Resources to continue making the debt-service payments on their Prepetition Loan and their other indebtedness.

1. Financial Environment and Liquidity Issues

Notwithstanding the Crescent Enterprise's operational restructuring and its efforts to diversify its product offering, the industry-wide reduction in real estate sales and the credit market freeze had significantly impacted the Crescent Enterprise's liquidity by the fourth quarter of 2008. The demand for real estate decreased as the availability of financing slowed. Fewer loan products and stricter loan qualification standards affected the ability of the Crescent Enterprise's customer base to purchase many of the Debtors' products. In particular, the slow sales in both the Residential and Commercial Divisions impacted the Debtors' cash flow. In certain Residential Division projects, the Debtors had committed to provide shortfall funding. This shortfall funding became more burdensome as real estate sales continued to decline. As a result of the lack of buyers, markets became saturated with a large supply of new and existing assets for sale. Given the competitive nature of the real estate market and the excess supply of assets, prices faced downward pressure. Additionally, the Crescent Enterprise's capital structure was highly

leveraged, which affected its ability to service its various debt obligations and placed the company in a competitive disadvantage with some of its competitors.

At the end of April 2009, a regular, quarterly interest payment was due on the Prepetition Loan. As a result of the liquidity issues and the financial environment as described above, the Debtors were not in a position to make the scheduled payment on the due date. Accordingly, the Debtors entered into a forbearance agreement with their Prepetition Lenders, which provided for a forbearance from the exercise of any of the Prepetition Lenders' rights or remedies under the Prepetition Credit Agreement. During the forbearance period, the Debtors, the Agent, and an ad hoc steering committee of the Prepetition Lenders began discussing out-of-court restructuring options.

2. Restructuring Efforts

Since mid-2008, the Debtors have been exploring restructuring alternatives to bankruptcy. The Debtors considered a number of options including, the sale of the Crescent Enterprise, splitting the Prepetition Loan into two tranches, a debt-for-equity exchange, or conducting a bulk sale of certain assets. However, these alternatives mostly required Crescent Resources to raise additional debt or equity capital, which was difficult, if not impossible, in the 2008 economic climate.

From January 2009 through mid-May 2009, the Debtors held extensive discussions with the Prepetition Lenders in an effort to negotiate a financial restructuring that would resolve the Debtors' liquidity issues and their highly leveraged capital structure. By mid-March, the Prepetition Lenders and the Debtors believed that based on 2009 market conditions, the value of its liabilities exceeded the value of its assets. The Debtors and the Prepetition Lenders were ultimately unable to reach an agreement that would allow the Debtors to restructure out of court. Consequently, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on June 10, 2009.

3. The 2006 Duke Transaction

The Creditors' Committee contends that the 2006 Duke Transaction rendered Crescent Holdings and certain of its subsidiaries insolvent and that the transaction also represented a breach of duty by its parents, affiliates, officers, managers, directors, and professional advisers, and that as a result, estate causes of action may exist that arise out this transaction against participants in the transaction, approving directors or managers and recipients of the proceeds thereof. The Debtors have not analyzed and express no opinion whether such claims relating to the 2006 Duke Transaction are meritorious; however, the Creditors' Committee believes that such causes of action arising from the 2006 Duke Transaction may include and be based on theories including, without limitation:

- State law claims of fraudulent transfer
- State law claims of fraudulent conveyance
- State law claims of actual and/or constructive fraud
- Breach of fiduciary duties and obligations
- Claims for rescission and return of the proceeds distributed to Duke and its affiliates

- State law claims for civil conspiracy and aiding an abetting fraud
- State law claims for negligence
- State law claims for unlawful payment of dividends

Collectively, these potential estate causes of action are defined to be the 2006 Transaction Causes of Action and are specifically reserved by the Debtors and transferred under the Plan to the Litigation Trust, subject only to the releases and exculpations under the Plan in favor of the Litigation Trust Excluded Parties.

E. The Chapter 11 Cases

1. Commencement of the Chapter 11 Cases and the "First-Day" Orders

On June 10, 2009, the Debtors filed voluntary petitions commencing the Chapter 11 Cases. Shortly thereafter, the Debtors obtained a series of orders from the Bankruptcy Court designed to minimize any disruption to the Debtors' business operations and to facilitate the Debtors' reorganization.

a. Case Administration Orders

The Bankruptcy Court entered a number of procedural orders to streamline and simplify the administration of the Chapter 11 Cases. These orders: (i) authorized the joint administration of the Chapter 11 Cases; (ii) established notice procedures; (iii) granted an extension of time to file the Debtors' schedules and statements; and (iv) authorized the Debtors to continue to use their existing cash management system. In addition, the Debtors obtained orders authorizing the engagement of Weil, Gotshal & Manges LLP, Robinson Bradshaw & Hinson, P.A., and Hohmann, Taube & Summers, L.L.P. as legal advisors, Alvarez & Marsal North America, LLC as restructuring advisors, and Lazard Freres & Company, LLC ("Lazard") as financial advisors.

b. Critical Obligations

To allow the Debtors to maintain their operations during the Chapter 11 Cases, the Bankruptcy Court authorized certain payments on prepetition obligations deemed to be critical to the Debtors' businesses. The Bankruptcy Court allowed the Debtors to satisfy certain outstanding prepetition obligations including those related to: (a) wages, compensation, and employee benefits; (b) sales, use, property, and other types of taxes; (c) commissions to independent sales agents and certain developers; (d) certain lien and administrative expense claims; (e) critical trade vendors; and (f) customers and customer programs.

c. Ordinary Course Lot Sales

On the Commencement Date, the Debtors sought Bankruptcy Court authorization to continue to enter into contracts or perform under existing contracts to sell home lots, condominiums, outparcels, and certain parcels of land in the ordinary course of their business. The Bankruptcy Court entered an order authorizing the Debtors to convey property limited to sales of 10 or less finished home lots, 20 or less platted but undeveloped home lots, 5 or less

condominiums, 2 or less outparcels, 100 or less acres of land, all restricted to a sales price not to exceed $2.5 million per parcel in a single transaction to a single purchaser. The ability to continue with these ordinary course asset sales ensured the continued viability of the Debtors' businesses, and provided an inflow of cash through the bankruptcy process. As of the date of this Disclosure Statement and pursuant to this ordinary course lot sale order, the Debtors completed 63 lot sales in their Residential Division, 13 parcel sales in their Land Management Division, and 8 land parcel sales in their Commercial Division.

d. Financing Arrangements

In order to ensure that the Debtors had adequate financing to continue their operations throughout the term of the Chapter 11 Cases, the Bankruptcy Court authorized the Debtors to (i) use the Prepetition Lenders' cash collateral and obtain the DIP Loan; (ii) continue their centralized cash management system as modified to reflect the authorization to use cash collateral; and (iii) maintain their existing bank accounts and forms. The obligations under the DIP Credit Facility bear interest at the one month London Interbank Offered Rate ("LIBOR") plus 10% with a LIBOR floor of 3.5%.

2. Other Significant Orders

a. Asset Sale Procedures

On August 17, 2009, the Bankruptcy Court authorized the Debtors to sell and convey certain real, personal, and intangible property, including, but not limited to: (i) conveyances of unimproved and improved land; (ii) bulk sales of improved home lots; (iii) conveyances and easement grants appurtenant to existing purchase and sale agreements and purchase options for existing agreements; (iv) sales, conveyances, and easement grants for nominal or no consideration to utility providers, adjoining property owners and to homeowner and community and commercial property associations; (v) boundary line adjustments and property exchanges with adjoining property owners and occupants of improved property; (vi) conveyances in connection with, or in lieu of, condemnation or eminent domain proceedings; and (vii) sales of certain personal and intangible property that is now, or in the foreseeable future, no longer necessary for the continued operation of the Debtors' core business (the "Non-Ordinary Course Conveyances"). The Bankruptcy Court authorized Non-Ordinary Course Conveyances without further Bankruptcy Court or DIP Lender approval for assets priced equal to or less than $1 million and personal and intangible property valued at $500,000 or less. For assets valued between $1 million and $25 million, the Debtors can only convey such assets after providing notice to certain parties in interest and giving them an opportunity to object. For assets valued $25 million or more, the Debtors must file a separate motion pursuant to section 363 of the Bankruptcy Code seeking authority to effectuate that conveyance. These procedures allow for the streamlined handling of several of the Debtors' asset conveyances. As of the date of this Disclosure Statement, the Debtors have conveyed two assets pursuant to this order.

3. Appointment of the Creditors' Committee

Pursuant to section 1102(a) and (b) of the Bankruptcy Code, on July 6, 2009, the U.S. Trustee appointed the Creditors' Committee in these Chapter 11 Cases. The original members of the Creditors' Committee were:

R. Perry Overstreet, on behalf of, HCH

Lawrence M. Throneburg, III, on behalf of, Rim Chaparral Pines Real Estate Services, LLC

~~David Hofer, on behalf of, Hofer Builders, Inc.~~

Robert L. Shults, Jr., on behalf of, ~~Honours~~Honors Golf

Thomas Hornbaker, on behalf of, WorldWest Limited Liability Company

Gladys Elder

The Creditors' Committee retained Martinec Winn Vickers & McElroy, P.C. as its counsel, and Unique Strategies Group, Inc. as its financial advisor.

4. Significant Asset Sales

a. International Plaza 4 (Tampa, Florida)

By order dated August 21, 2009, the Bankruptcy Court authorized the Debtors to assume the purchase and sale agreement for the conveyance of International Plaza 4 to Eola Capital LLC, as purchaser, free and clear of all liens, claims, encumbrances, and interests. International Plaza 4 is an eight-story office tower located in an industrial park in the Westshore Business District of Tampa, Florida. On October 15, 2009, the International Plaza 4 transaction closed and the Debtors received approximately $28.4 million, including reimbursement of certain leasing costs.

5. Abandonment

During the course of the Chapter 11 Cases, the Debtors identified certain assets where obligations significantly exceeded the value of the assets and where the costs of development outweighed any benefit that might have accrued from such course of action. The Debtors abandonment of the following assets, pursuant to section 544(a) of the Bankruptcy Code, relieved the Debtors from obligations to incur significant capital requirements and other burdensome obligations for projects or ventures that were not part of the Debtors' business plan. Accordingly, the Debtors abandoned ~~these~~the following assets pursuant to section 544(a) of the Bankruptcy Code.

a. TerraPointe, LLC

By order dated June 25, 2009, the Bankruptcy Court authorized the Debtors to abandon property subject to security obligations held by ~~Terrapointe~~TerraPointe, LLC (a non-debtor third-party), terminate the automatic stay with respect to such property, and reject certain executory contracts related to such property. It is the Debtors' understanding that TerraPointe, LLC has not foreclosed on the property as of the date hereof.

b. Six Mile Creek Ventures, LLC

By order dated June 28, 2009, the Bankruptcy Court authorized the Debtors to abandon their interests in Six Mile Creek Ventures, LLC, a joint venture in which LandMar Group owned 40% of the membership interests, Intervest Construction of Jax, Inc. owned 40% of the membership interests, and W.R. Howell owned 20% of the membership interests. The Bankruptcy Court also terminated the automatic stay with respect to such interest and authorized the Debtors to reject certain executory contracts related to such interest.

c. Sugarloaf

By order dated August 18, 2009, the Bankruptcy Court authorized the Debtors to abandon their interests in SLCD, LLC, a joint venture in which LandMar Group owned 51% of the membership interest and Sugarloaf Mountain, LLC (a non-debtor third party) owned 49% of the membership interest. The Bankruptcy Court also lifted the automatic stay with respect to such interest and authorized the Debtors to reject certain executory contracts related to such interest.

6. Debtor-in-Possession Financing and Cash Collateral Order

On July 27, 2009, the Bankruptcy Court entered the Final DIP Order which authorized the Debtors to enter into the DIP Credit Agreement. The DIP Credit Agreement provided aggregate funding of up to $110 million for operational and working capital needs during the pendency of these Chapter 11 Cases.

7. The Debtors' Exclusive Periods

Section 1121 of the Bankruptcy Code grants a debtor the exclusive right to propose a plan of reorganization during the first 120 days after the commencement of a chapter 11 case. In addition, a debtor also has the exclusive right to solicit votes for the acceptance of any proposed plan during the first 180 days after the commencement of a chapter 11 case. A debtor's exclusive rights may be either terminated or extended for "cause."

On September 14, 2009, the Debtors filed a motion to extend their exclusive period to file a chapter 11 plan and solicit acceptances thereof (the "Exclusive Period"). On October 16, 2009, the Bankruptcy Court granted the Debtors an extension of the Debtors' exclusivity to propose a chapter 11 plan and solicit acceptances thereof to December 7, 2009 and February 5, 2010, respectively.

On November 24, 2009, the Debtors filed a motion requesting a second extension of their Exclusive Period. On December 7, 2009, the Bankruptcy Court granted the Debtors a second extension of the Debtors' exclusivity to propose a chapter 11 plan and solicit acceptances thereof to January 15, 2010 and March 16, 2010, respectively.

On January 13, 2010, the Debtors filed a motion requesting a third extension of their Exclusive Period. On January 15, 2010, the Bankruptcy Court granted the Debtors a third extension of the Debtors' exclusivity to propose a chapter 11 plan and solicit acceptances thereof to January 29, 2010 and March 30, 2010, respectively.

8. The Claims Reconciliation Process

On September 19, 2009, the Debtors filed their amended schedules of assets and liabilities, which list all outstanding prepetition claims held against the Debtors as reflected in the Debtors' books and records.

a. Proofs of Claims Bar Date

By order dated September 23, 2009, the Bankruptcy Court fixed November 20, 2009 at 5:00 p.m. (prevailing Pacific Time), as the date and time by which proofs of claim (other than Governmental Units (as defined in the Bankruptcy Code)) were required to be filed in the Debtors' Chapter 11 Cases (the "Bar Date"). The Bankruptcy Court fixed December 7, 2009 at 5:00 p.m. (prevailing Pacific Time), as the date and time by which proofs of claim from Governmental Units were required to be filed in the Debtors' Chapter 11 Cases. In accordance with the exhibits approved by the Bankruptcy Court, notices informing Creditors of the last date to timely file proofs of claims and a proof of claim form, reflecting the nature, amount, and status of each Creditor's claim as reflected in the schedules, were mailed to all creditors listed on the schedules. The Debtors also published a notice of the Bar Date once in *The Wall Street Journal (National Edition), The Charlotte Observer, USA Today, Austin American-Statesman, The Orlando Sentinel, The Florida Times-Union, Tampa Tribune, The News-Press, The Island Packet, Arizona Republic, Gaston Gazette, and Florida Times Union.*

b. Administrative Expense Claim Bar Date

Pursuant to the Plan, the deadline for filing requests for payment of Administrative Expense Claims other than (i) claims of professionals retained in the Chapter 11 Cases, (ii) claims related to the debtor in possession financing and Claims asserted under section 503(b)(9) of the Bankruptcy Code, (iii) claims for liability incurred and payable in the ordinary course of business by a Debtor (and not past due), or (iv) Administrative Expense Claims that have already been allowed on or before the Effective Date, is sixty (60) days after the Effective Date (the "Administrative Expense Claim Bar Date"). All such Administrative Expense Claims must be filed with the Bankruptcy Court and served on the Debtors or the Reorganized Debtors, as applicable, and the Office of the U.S. Trustee, on or prior to the Administrative Claim Bar Date. Such notice must include at a minimum (A) the name of the Debtor(s) which are purported to be liable for the Claim, (B) the name of the holder of the Claim, (C) the amount of the Claim, and (D) the basis of the Claim.

c. Debtors' Procedures for Objecting to Proofs of Claims and Administrative Expense Claims and Notifying Claimants of Objection

Pursuant to the Plan, unless extended by the Bankruptcy Court, the Debtors and the Reorganized Debtors, as applicable, will have until ~~one hundred and eighty (180~~ninety (90) days after the Effective Date to object to any Claim except the Administrative Expense Claims, and approximately thirty (30) days after the Administrative Claim Bar Date to object to those Administrative Expense Claims that are subject to the Administrative Expense Claim Bar Date.

The Debtors are in the process of conducting a comprehensive review and reconciliation of the claims filed against them, which includes identifying particular categories of proofs of claim that the Debtors should target for disallowance and expungement, reduction and allowance, or reclassification and allowance, and anticipate filing additional omnibus claims objections.

For more information on the Bar Date and whether you need to file a proof of claim, please refer to the bar date notice, which can be found at http://www.crescent resourcesinfo.com/bardate.php3.

9. Settlements

The Debtors were able to successfully settle contingent claims and pending litigation surrounding the Potomac Yards project. The Debtors believe that these settlements represent the best outcome for the Debtors and their estates.

In March of 2001, two Debtors, Crescent Potomac Properties, LLC, and Crescent Potomac Yard Development, LLC (the "Potomac Debtors"), purchased several parcels of land located in Arlington County, Virginia (the "County"). Portions of the parcels of land were to be developed as a mixed-use, commercial, and residential community ("Potomac Yard") pursuant to a land-use plan approved by the County.

The County and the Potomac Debtors entered into two settlements. The first settlement resolved a dispute concerning the extent, if any, of Potomac Debtors' contingent obligation to contribute to certain environmental remediation ("First Settlement"), which was approved by the Court on September 21, 2009. The second settlement resolved a property tax valuation dispute between the Potomac Debtors and the County (the "Second Settlement"), which was approved by the Court on November 20, 2009. Under the terms of the First Settlement, the Potomac Debtors conveyed a parcel of land and a pedestrian easement that spanned another parcel of Debtor-owned property in exchange for a release from certain obligations the Potomac Debtors allegedly owed the County. Under the terms of the Second Settlement, the Potomac Debtors settled litigation, which they had initiated in county court, challenging, as excessive, the assessed value of various parcels of land owned by the Potomac Debtors in the County. Under the Second Settlement, the parties consented to the entry of an order which reduced certain of the assessed tax values and provided an immediate tax refund of $28,703.

F. Pending Litigation Against the Debtors

In the ordinary course of business, the Debtors are party to various lawsuits, legal proceedings and claims, including claims relating to personal injury, breach of contract, misrepresentation, and employment matters. Attached hereto as **Exhibit ~~C~~D** is a complete schedule of pending litigation against the Debtors. Significant cases include the following:

1. Lake Mary, Florida

Crescent Resources is named as a defendant in a series of cases filed in the Circuit Court for Seminole County, Florida, by or on behalf of 63 former employees of Siemens Communications, Inc. or its predecessors ("Siemens").[~~13~~20] The plaintiffs seek recovery of unspecified damages for personal injury and wrongful death allegedly caused by toxic chemicals inhaled or ingested in the course of their employment at a manufacturing plant located in Lake Mary, Florida, on land adjacent to an undeveloped, 154-acre tract purchased for development by Crescent Resources in July 2000 from a Siemens affiliate. The plaintiffs base their claims solely on Chapter 376 of the Florida Water Quality Assurance Act of 1983. That statute provides for strict liability for "damages" caused by a discharge of pollution or a "pollutive condition." Crescent Resources has been sued by virtue of its ownership of allegedly contaminated property, and not based on any acts or omissions of Crescent Resources. Crescent Resources contends, *inter alia*, that (i) the plaintiffs cannot show any causal connection essential to recovery, (ii) the statute creates liability only for cleanup of contamination and does not create a cause of action for personal injury, and (iii) the plaintiffs' claims are barred by affirmative, third-party defenses set forth in the statute. The cases were consolidated for discovery, but are otherwise proceeding individually. Following the Commencement Date, the state court allowed the plaintiffs' claims against Crescent Resources to be severed as separate actions. The plaintiffs filed proofs of claim in the Chapter 11 Cases.

2. Builders' Claims - The Parks at Meadowview

One of the Debtors in the Chapter 11 Cases, The Parks at Meadowview, LLC ("The Parks") and Crescent Resources, are respondents in an arbitration proceeding arising out of the development of a single-family residential subdivision in Chatham County, North

---

[~~13~~20] *Wallace Brottem, et al. v. Crescent Resources, LLC, et al.*, Case No. 05-CA-1637-11-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida; *William Burke v. Crescent Resources, LLC, et al.* Case No. 06-CA-421-11-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida; *Robert Burns v. Crescent Resources, LLC, et al.* Case No. 06-CA-419-11-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida; *Annette Florence v. Crescent Resources, LLC, et al.* Case No. 06-CA-422-11-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida; *Lethesa Reliford v. Crescent Resources, LLC, et al.* Case No. 06-CA-411-16C-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida; *Ted Schrolucke v. Crescent Resources, LLC, et al.*, Case No. 06-CA-420-11-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida; *Cyle Canada, et al. v. Crescent Resources, LLC, et al.* Case No. 06-CA-1544-11-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida; *Marilyn Bennett, et al., v. Siemens Communications, Inc.*, Case No. 07-CA-316-11-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida; *Nadine Culbreath, et al. v. Siemens Carrier Networks, LLC, et al.*, Case No. 07-CA-3362-11-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida; and *Edith Brown v. Crescent Resources, LLC, et al*. Case No. 08-CA-4037-11-K, Circuit Court for Eighteenth Judicial Circuit, Seminole County, Florida.

Carolina.[14][21] The claimants are five builders who purchased platted lots from The Parks and, in some cases, constructed speculative homes on the lots. When The Parks discontinued active development of the subdivision as a result of the deteriorating housing market, the claimants asserted prepetition claims against The Parks and Crescent Resources alleging negligent misrepresentations and unfair trade practices. The claimants sought recovery of alleged actual damages in the approximate amount of $8,000,000 and asked for that amount to be trebled. The Parks and Crescent Resources have denied liability. The claimants have filed proofs of claim in the Chapter 11 Cases.

3. Polk-Sullivan / Chatham Partners – The Parks at Meadowview

The Parks and Crescent Resources purchased land from Polk-Sullivan, LLC and Chatham Partners, LLC (the "Meadowview Sellers") for development of a residential subdivision. The contract for purchase of a portion of the land included post-closing covenants by The Parks relating to the installation of certain infrastructure improvements that would benefit lands of both the developer and the Meadowview Sellers. A portion of the improvements have not been completed, consisting of a 600-foot road segment and certain effluent spray field improvements. The Parks also agreed with the Meadowview Sellers that future homeowners on certain of the Meadowview Sellers' retained land would, upon certain conditions, be allowed to use amenities as constructed on land purchased by The Parks. The Meadowview Sellers filed a civil action, and companion *lis pendens*, seeking enforcement of certain easements, specific performance of post-closing obligations and recovery of damages, all on theories of breach of contract and estoppel.[15][22] Efforts to achieve a negotiated resolution have failed.

IV.

THE PLAN

This section of the Disclosure Statement summarizes the Plan, which is attached hereto as **Exhibit A**. This summary is qualified in its entirety by reference to the full text of the Plan. To the extent any inconsistencies exist between the Disclosure Statement and Plan, the Plan governs.

A. Summary and Treatment of Unclassified Claims

The Plan does not classify all Claims and Equity Interests. In particular, Claims incurred during the course of the Chapter 11 Cases (i.e., Administrative Expense Claims) and Priority Tax Claims are unclassified. A summary of these Claims is set forth below.

1. Administrative Expense Claims

---

[14][21] *Construction & Design, Inc., et al. and The Parks at Meadowview, LLC, et al.*, AAA Arbitration, Raleigh, North Carolina, Case No. 31 421 Y 00335 08.

[15][22] *Polk-Sullivan, LLC, et al. v. The Parks at Meadowview, LLC*, General Court of Justice, Superior Court Division, Chatham County, North Carolina, Case No. 08-CVS-949.

a. Time for Filing Administrative Expense Claims

The holder of an Administrative Expense Claim, other than (i) a Claim covered by Sections 2.2, 2.3, or 2.4 of the Plan, (ii) a Claim pursuant to section 503(b)(9) of the Bankruptcy Code, (iii) a liability incurred and payable in the ordinary course of business by a Debtor (and not past due), or (iv) an Administrative Expense Claim that has been Allowed on or before the Effective Date, must file with the Bankruptcy Court and serve on the Debtors or the Reorganized Debtors, as applicable, and the U.S. Trustee, notice of such Administrative Expense Claim on or prior to the Administrative Expense Claim Bar Date (i.e., 60 days after the Effective Date). Such notice must include at a minimum (A) the name of the Debtor(s) that are purported to be liable for the Claim, (B) the name of the holder of the Claim, (C) the amount of the Claim, and (D) the basis for the Claim. **Failure to file and serve such notice timely and properly will result in the Administrative Expense Claim being forever barred and discharged.**

b. Allowance of Administrative Expense Claims

An Administrative Expense Claim with respect to which notice has been properly filed and served pursuant to Section 2.1(a) in the Plan, will become an Allowed Administrative Expense Claim if no objection is filed on or prior to the Administrative Expense Claim Objection Deadline. If an objection is timely filed, the Administrative Expense Claim will become an Allowed Administrative Expense Claim only to the extent allowed by Final Order or as such Claim is settled, compromised, or otherwise resolved by the Debtors or Reorganized Debtors pursuant to Section 10.4 of the Plan.

c. Payment of Allowed Administrative Expense Claims

Except to the extent that a holder of an Allowed Administrative Expense Claim (other than a claim covered by Sections 2.2, 2.3, or 2.4 in the Plan) agrees to a less favorable treatment, each Allowed Administrative Expense Claim (including any Allowed Claim asserted under section 503(b)(9) of the Bankruptcy Code) will be paid by the Reorganized Debtors in full, in Cash, in an amount equal to the unpaid portion of such Allowed Administrative Expense Claim (together with interest from and after the Commencement Date at the applicable non-bankruptcy rate for Administrative Expense Claims asserted under section 503(b)(1)(B) of the Bankruptcy Code) on or as soon as reasonably practicable following the later to occur of (a) the Effective Date or (b) the date on which such Administrative Expense Claim becomes an Allowed Claim; provided, however, that Allowed Administrative Expense Claims (other than a claim covered by Sections 2.2, 2.3, or 2.4 in the Plan) against any of the Debtors representing liabilities incurred in the ordinary course of business by any of the Debtors, as Debtors in Possession, or liabilities arising under loans or advances to or other obligations incurred by any of the Debtors, as Debtors in Possession, whether or not incurred in the ordinary course of business, will be paid by the Debtors in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

2. Professional Compensation and Reimbursement Claims

The Bankruptcy Court will fix in the Confirmation Order a date for the filing of, and a date to hear and determine, all applications for final allowance of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under sections 328 and 330 of the Bankruptcy Code or applications for allowance of Administrative Expense Claims arising under section 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code. Unless otherwise agreed to by the claimant and the Debtors or the Reorganized Debtors, as applicable, the Allowed Administrative Expense Claims arising under section 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), and 503(b)(5) of the Bankruptcy Code will be paid in full, in Cash, as soon as practicable following the later to occur of (a) the Effective Date and (b) the date upon which any such Administrative Expense Claim becomes an Allowed Administrative Expense Claim. The Debtors and the Reorganized Debtors, as applicable, are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Confirmation Date and until the Effective Date in the ordinary course of business and without the need for Bankruptcy Court approval.

3. DIP Claims

Except to the extent that a DIP Lender agrees to a different treatment, the DIP Claims will be paid in full, in Cash, on the Effective Date.

4. Priority Tax Claims

Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a less favorable treatment, each holder of an Allowed Priority Tax Claim will receive, at the sole option of the Debtors or the Reorganized Debtors, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the Effective Date, (b) in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, equal semi-annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at the applicable non-bankruptcy rate, commencing upon the Effective Date and continuing over a period ending not later than five (5) years after the Commencement Date, or (c) such other treatment as will be determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim.

B. Classification and Treatment of Claims

Unless indicated otherwise, all distributions will be in full satisfaction of each Allowed Claim or Interest and will be made as soon as reasonably practicable after the later of (i) the Effective Date or (ii) the date such Claim is Allowed. Further, Claimholders can generally agree to receive less favorable treatment than the treatment provided for by the Plan. Unless otherwise indicated, the Debtors have based the characteristics of the Claims on the Debtors' books and records.

1. Classes 1 through ~~121~~120 – Other Priority Claims

a. Impairment and Voting

Classes 1 through ~~121~~120 are unimpaired by the Plan. Each holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

b. Distributions

Unless otherwise mutually agreed upon by the holder of an Allowed Other Priority Claim and the Reorganized Debtors, each holder of an Allowed Other Priority Claim will receive, on account of its Claims against the Debtors and their estates, Cash in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.

2. Classes ~~122~~121 through ~~242~~240 – Secured Tax Claims

a. Impairment and Voting

Classes ~~122~~121 through ~~242~~240 are unimpaired by the Plan. Each holder of an Allowed Secured Tax Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

b. Distributions

Except to the extent that a holder of an Allowed Secured Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Secured Tax Claim will receive, on account of its Claims against the Debtors and their estates, at the sole option of the Reorganized Debtors, (i) Cash in an amount equal to such Allowed Secured Tax Claim on the Effective Date, including any interest on such Allowed Secured Tax Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, (ii) equal semi-annual Cash payments in an aggregate amount equal to such Allowed Secured Tax Claim, together with interest at a rate determined under applicable non-bankruptcy law in accordance with section 511 of the Bankruptcy Code, over a period ending not later than five (5) years after the ~~Petition~~Commencement Date, (iii) upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Secured Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Secured Tax Claim, or (iv) to the extent that the Collateral securing such Allowed Secured Tax Claim is transferred pursuant to Sections 4.5 - ~~4.13~~4.12 of the Plan, retention of the Allowed Secured Tax Claim holder's Lien in the Collateral.

3. Classes ~~243~~241 through ~~354~~352 – Prepetition Lender Claims

a. Impairment and Voting

Classes ~~243~~241 through ~~354~~352 are impaired by the Plan. Each holder of a Prepetition Lender Claim is entitled to vote to accept or reject the Plan. Solely for the purposes of voting to accept or reject the Plan, the Prepetition Lender Secured Claims will be allowed in the amount of the Midpoint Equity Value plus the face value of the Second Lien Facility.

b. Distributions

The Prepetition Lender Secured Claims will be Allowed Claims in the amount of the ~~Reorganization~~Reorganized Equity Interests Value of the Reorganized Debtors plus the face value of the Second Lien Facility, and are not subject to offset, defense, counterclaim, reduction, or credit of any kind whatsoever. The Prepetition Lender Deficiency Claims will be Allowed Claims in the aggregate amount of $1,551,063,591.57 less the amount of the Allowed Prepetition Lender Secured Claims and less all payments made subsequent to the Commencement Date in respect of the Prepetition Lender Claims, not subject to offset, defense, counterclaim, reduction, subordination, disallowance or credit of any kind whatsoever. On the Effective Date, each holder of an Allowed Prepetition Lender Secured Claim will receive on account of such holder's Claim such holder's Pro Rata distribution of (i) 100% of the Tranche B Notes, (ii) 100% of the Tranche C Notes, and (iii) 100% of the Reorganized Equity Interests, pursuant to the Capital Consideration Allocations made in accordance with Section 7.6(~~v~~c) of the Plan, subject to dilution by the Management Incentive Plan. The terms~~,~~ and rights ~~and designations~~ of the Tranche B Notes, the Tranche C Notes and the Reorganized Equity Interests will be more fully described in the Plan Supplement. Each holder of an Allowed Prepetition Lender Claim will receive any Reorganized Equity Interests distributed hereunder in the form of Crescent Investment Units unless such holder elects, on its properly completed ballot, to instead receive its distribution in the form of Reorganized Holdings ~~Series B~~ Units. On the Effective Date, each holder of an Allowed Prepetition Lender Deficiency Claim will receive on account of such holder's Claim such holder's Pro Rata distribution of 100% of the Class B Litigation Trust Interests.

4. Classes ~~355~~353 through ~~475~~472 – Other Secured Claims

a. Impairment and Voting

Classes ~~355~~353 through ~~475~~472 are unimpaired by the Plan. Each holder of an Other Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

b. Distributions

Except to the extent that a holder of an Allowed Other Secured Claim against the Debtors agrees to a less favorable treatment, at the sole option of the Debtors or Reorganized Debtors, (i) each Allowed Other Secured Claim will be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, or (ii) each holder of an Allowed Other Secured Claim will receive, in full satisfaction of such Allowed Other Secured Claim, either (v) Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, (w) Cash in an amount and on such other terms and conditions as agreed to between the holder of such Allowed Other Secured Claim, on the one hand, and the Debtors or the Reorganized Debtors, on the other hand, (x) the proceeds of the sale

or disposition of the Collateral securing such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, to the extent of the value of the holder's security interest in such Collateral, (y) the Collateral securing such Allowed Other Secured Claim; or (z) such other distribution as necessary to satisfy the requirements of chapter 11 of the Bankruptcy Code. In the event the Debtors or Reorganized Debtors elect to treat a Claim under clause (v), (w) or (x) of this Section, the Liens securing such Secured Claim will be deemed released upon satisfaction of the requirements set forth in (v), (w) or (x) above.

Certain parties have asserted Claims ("M&M Claims") on account of unpaid mechanics and materialmen's liens ("M&M Liens"). To the extent the Debtors do not dispute a M&M Claim and such M&M Claim has not already been paid pursuant to the *Order on the Motion of the Debtors Pursuant to Sections 105(a), 363(b), and 1107(a) of the Bankruptcy Code and Bankruptcy Rule 6004 for Authorization to Pay, in the Ordinary Course of Business, Certain Prepetition Lien Claims* [Docket No. 543], such M&M Claim will be paid in full in Cash on the Effective Date. To the extent the Debtors dispute a M&M Claim, such M&M Claim will be Allowed and treated as (a) an Other Secured Claim and paid in Cash on the Effective Date to the extent of the value of the claimant's interest in the Collateral securing such M&M Claim and (b) otherwise, as an Other General Unsecured Claim. At this time, the Debtors dispute two M&M Claims: (i) the Misener Marine Claim and the (ii) Goodwin Brothers Construction, Inc. Claim.

5. Class ~~476~~473 – 223 Developers Secured Claims

a. Impairment and Voting

Class ~~476~~473 is impaired by the Plan. Each holder of a 223 Developers Secured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

Each holder of an Allowed 223 Developers Secured Claim will receive, in full satisfaction of such Allowed 223 Developers Secured Claim, (i) to the extent that the Debtors have legal title in the Collateral securing such Allowed 223 Developers Secured Claim, the Collateral securing such Allowed 223 Developers Secured Claim, or (ii) any treatment agreed to by the holder of such Allowed 223 Developers Secured Claim, on the one hand, and the Debtors on the other hand; provided, that such treatment will not provide a return to the holder of such Allowed 223 Developers Secured Claim having a present value in excess of the amount of such Allowed 223 Developers Secured Claim.

6. Class ~~477~~474 – Grand Woods Secured Claims

a. Impairment and Voting

Class ~~477~~474 is impaired by the Plan. Each holder of a Grand Woods Secured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

Each holder of an Allowed Grand Woods Secured Claim will receive, in full satisfaction of such Allowed Grand Woods Secured Claim, (i) the Collateral securing such Allowed Grand Woods Secured Claim and the $200,000 earnest money deposit and interest earned thereon provided to Florida Landmark Communities, Inc. in connection with that certain Grand Woods Agreement for Purchase and Sale dated December 1, 2005, as amended, or (ii) any treatment agreed to by the holder of such Allowed Grand Woods Secured Claim, on the one hand, and the Debtors on the other hand; provided, that such treatment will not provide a return to the holder of such Allowed Grand Woods Secured Claim having a present value in excess of the amount of such Allowed Grand Woods Secured Claim.

7. Class 478475 – Portland PlaceGroup Secured Claims

a. Impairment and Voting

Class 478475 is unimpaired by the Plan. Each holder of a Portland PlaceGroup Secured Claim is conclusively presumed to have accepted the Plan.

b. Distributions

Except to the extent that a holder of an Allowed Portland PlaceGroup Secured Claim against the Debtors agrees to a less favorable treatment, each Allowed Portland PlaceGroup Secured Claim will be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the holder of an Allowed Portland PlaceGroup Secured Claim to demand or receive payment of such Allowed Portland PlaceGroup Secured Claim prior to the stated maturity of such Allowed Portland PlaceGroup Secured Claim from and after the occurrence of a default.

8. Class 479476 – RimRoberts Road Secured Claims

a. Impairment and Voting

Class 479476 is impaired by the Plan. Each holder of a RimRoberts Road Secured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

Each holder of an Allowed RimRoberts Road Secured Claim will receive, in full satisfaction of such Allowed RimRoberts Road Secured Claim, (i) the Collateral securing such Allowed Rim Secured ClaimRoberts Road Secured Claim and the $80,000 earnest money deposit and interest earned thereon provided to Florida Landmark Communities, Inc. in connection with that certain Roberts Road Agreement for Purchase and Sale dated June 13, 2004, as amended, or (ii) any treatment agreed to by the holder of such Allowed RimRoberts Road Secured Claim, on the one hand, and the Debtors on the other hand; provided, that such treatment will not provide a return to the holder of such Allowed RimRoberts Road Secured Claim having a present value in excess of the amount of such Allowed RimRoberts Road Secured Claim.

9. Class 480477 – GrandThe Reserve Note 1 Secured Claims

a. Impairment and Voting

Class 480 is impaired by the Plan. Each holder of a Grand Reserve Secured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

Each holder of an Allowed Grand Reserve Secured Claim will receive, in full satisfaction of such Allowed Grand Reserve Secured Claim, (i) the Collateral securing such Allowed Grand Reserve Secured Claim, or (ii) any treatment agreed to by the holder of such Allowed Grand Reserve Secured Claim, on the one hand, and the Debtors on the other hand; provided, that such treatment will not provide a return to the holder of such Allowed Grand Reserve Secured Claim having a present value in excess of the amount of such Allowed Grand Reserve Secured Claim.

10. Class 481 – Grand Landings Note 1 Secured Claims

a. Impairment and Voting

Class 481477 is impairedunimpaired by the Plan. Each holder of a Grand LandingsThe Reserve Note 1 Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

b. Distributions

Each holder of an Allowed Grand LandingsThe Reserve Note 1 Secured Claim will receive, in full satisfaction of such Allowed Grand LandingsThe Reserve Note 1 Secured Claim, (i) Cash in an amount equal to such Allowed Grand LandingsThe Reserve Note 1 Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (ii) any treatment agreed to by the holder of such Allowed Grand LandingsThe Reserve Note 1 Secured Claim, on the one hand, and the Debtors on the other hand; provided, that such treatment will not provide a return to the holder of such Allowed Grand LandingsThe Reserve Note 1 Secured Claim having a present value in excess of the amount of such Allowed Grand LandingsThe Reserve Note 1 Secured Claim.

10. 11. Class 482 – Grand Landings478 – The Reserve Other Notes Secured Claims

a. Impairment and Voting

Class 482478 is impaired by the Plan. Each holder of a Grand LandingsThe Reserve Other Notes Secured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

Each holder of an Allowed ~~Grand Landings~~The Reserve Other Notes Secured Claim will receive, in full satisfaction of such Allowed ~~Grand Landings~~The Reserve Other Notes Secured Claim, (i) the Collateral securing such Allowed ~~Grand Landings~~The Reserve Other Notes Secured Claim, or (ii) any treatment agreed to by the holder of such Allowed ~~Grand Landings~~The Reserve Other Notes Secured Claim, on the one hand, and the Debtors on the other hand; provided, that such treatment will not provide a return to the holder of such Allowed ~~Grand Landings~~The Reserve Other Notes Secured Claim having a present value in excess of the amount of such Allowed ~~Grand Landings~~The Reserve Other Notes Secured Claim.

11. ~~12.~~ Class ~~483~~479 – North River Secured Claims

a. Impairment and Voting

Class ~~483~~479 is impaired by the Plan. Each holder of a North River Secured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

Each holder of an Allowed North River Secured Claim will receive, in full satisfaction of such Allowed North River Secured Claim, (i) the Collateral securing such Allowed North River Secured Claim, or (ii) any treatment agreed to by the holder of such Allowed North River Secured Claim, on the one hand, and the Debtors on the other hand; provided, that such treatment will not provide a return to the holder of such Allowed North River Secured Claim having a present value in excess of the amount of such Allowed North River Secured Claim.

12. ~~13.~~ Class ~~484~~480 – North Bank Developers Secured Claims

a. Impairment and Voting

Class ~~484~~480 is impaired by the Plan. Each holder of a North Bank Developers Secured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

Each holder of an Allowed North Bank Developers Secured Claim will receive, in full satisfaction of such Allowed North Bank Developers Secured Claim, (i) the Collateral securing such Allowed North Bank Developers Secured Claim, or (ii) any treatment agreed to by the holder of such Allowed North Bank Developers Secured Claim, on the one hand, and the Debtors on the other hand; provided, that such treatment will not provide a return to the holder of such Allowed North Bank Developers Secured Claim having a present value in excess of the amount of such Allowed North Bank Developers Secured Claim.

13. ~~14.~~ Classes ~~485~~481 through ~~605 – General Unsecured~~488 – Palmetto Bluff Secured Claims

a. Impairment and Voting

Classes ~~485~~481 through ~~605~~488 are ~~impaired~~unimpaired by the Plan. Each holder of a ~~General Unsecured Claim is~~Palmetto Bluff Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

b. Distributions

~~On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed~~The Allowed Palmetto Bluff Secured Claims shall either (i) be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, or (ii) estimated in accordance with section 502(c) of the Bankruptcy Code and given its indubitable equivalent in accordance with section 1129(b)(2), notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the holder of an Allowed Palmetto Bluff Secured Claim to demand or receive payment of such Allowed Palmetto Bluff Secured Claim prior to the stated maturity of such Allowed Palmetto Bluff Secured Claim from and after the occurrence of a default. Claims arising from the Palmetto Bluff Agreement that are not Palmetto Bluff Secured Claims shall be considered Other General Unsecured Claims in Classes 499 through 616, as applicable.

The Prepetition Lenders and WalCam Land Group, L.L.C. ("WalCam") each assert liens on certain of the Palmetto Bluff properties. WalCam asserts that its liens (the "WalCam Liens") are senior in priority to the Liens securing the Prepetition Lender Secured Claims. The Prepetition Lenders dispute whether the WalCam Liens are in fact valid and perfected, and if valid and perfected, whether the WalCam Liens are senior in priority to the Liens Securing the Prepetition Lender Secured Claims. The respective priority of the WalCam Liens and the Liens securing the Prepetition Lender Secured Claims will be determined by stipulation between WalCam and the Administrative Agent for the Prepetition Lenders or by an adversary proceeding which may be commenced by either WalCam or the Prepetition Lenders. If the WalCam Liens are determined not to be valid, perfected, and senior to the Liens securing the Prepetition Lender Secured Claims, all Claims arising from that certain real estate agreement between WalCam and the Palmetto Bluff, LLC, dated July 31, 2000 (as amended and supplemented), shall be considered Other General Unsecured Claims in Classes 499 through 616, as applicable.

14. Classes 489 through 496 – CDD Claims

a. Impairment and Voting

Classes 489 through 496 are unimpaired by the Plan. Each holder of a CDD Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

b. Distributions

Any and all liens for assessments levied and/or imposed at any time by a community development district ("CDD") established under applicable Florida law ("Florida CDD Law") shall constitute, and will at all relevant times in the future constitute, legal, valid, and binding first liens on the land against which levied and/or imposed until paid; shall continue to represent first priority governmental liens pari passu with ad valorem taxes and superior to any other lien; and shall run with the land, in each case to the extent provided by Florida CDD Law. Such liens and assessments shall not otherwise be disturbed or affected by this Disclosure Statement, the Plan, any order confirming the Plan, or any other order entered in this case or affiliated cases. Any and all assessments levied and/or imposed by a CDD at any time shall be paid when due under the terms of the CDD's resolutions or other directives, and applicable non-bankruptcy law, and, if delinquent prior to or at the Effective Date, shall be brought current immediately. To the extent the Debtors seek to sell or dispose of any real property prior to the Effective Date, such sale or disposition shall be governed by the terms of this paragraph, with any and all delinquent assessments being brought current immediately, and no later than, the time of closing. In the event any language in this paragraph is inconsistent with any language in any other provision of this Disclosure Statement, the Plan, any order confirming the Plan, or any other order entered in this case or affiliated cases, the language as stated herein shall control.

15. Class 497– Chaparral Pines Investors General Unsecured Claims

a. Impairment and Voting

Class 497 is impaired by the Plan. Each holder of a Chaparral Pines Investors General Unsecured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

On the Effective Date, or as soon thereafter as is practicable, except to the extent that a holder of an Allowed Chaparral Pines Investors General Unsecured Claim has been paid Chaparral Pines Investors prior to the Effective Date or such holder agrees to a less favorable treatment, each holder of an Allowed Chaparral Pines Investors General Unsecured Claim shall be entitled to receive, on account of its Claims against Chaparral Pines Investors and its estate, its Pro Rata share of $566,552 in Cash until paid in full. In no event shall a holder of an Allowed Chaparral Pines Investors General Unsecured Claim receive more than 100% of such holder's Allowed Chaparral Pines Investors General Unsecured Claim.

16. Class 498 – Portland Group General Unsecured Claims

a. Impairment and Voting

Class 498 is impaired by the Plan. Each holder of a Portland Group General Unsecured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

On the Effective Date, or as soon thereafter as is practicable, except to the extent that a holder of an Allowed Portland Group General Unsecured Claim has been paid Portland Group prior to the Effective Date or such holder agrees to a less favorable treatment, each holder of an Allowed Portland Group General Unsecured Claim shall be entitled to receive, on account of its Claims against Portland Group and its estate, its Pro Rata share of $505,519 in Cash until paid in full. In no event shall a holder of an Allowed Portland Group General Unsecured Claim receive more than 100% of such holder's Allowed Portland Group General Unsecured Claim.

17. Classes 499 through 616 – Other General Unsecured Claims

a. Impairment and Voting

Classes 499 through 616 are impaired by the Plan. Each holder of an Other General Unsecured Claim is entitled to vote to accept or reject the Plan.

b. Distributions

On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Other General Unsecured Claim against a Debtor in a Class of Other General Unsecured Claims ~~will~~shall be entitled to receive on account of its Claims against the Debtors and their estates its Pro Rata share of the Class A Litigation Trust Interests. In addition, the Class Litigation Trust Interests of any Accepting Other General Unsecured Claims Class ~~will~~shall be deemed senior to the Class B Litigation Trust Interests as contemplated by Section 8.3 of the Plan.

18. ~~15.~~ Classes ~~606~~617 through ~~726~~736 – Intercompany Equity Interests

a. ~~Impairment and Voting~~Impairment and Voting

Classes ~~606~~617 through ~~726~~736 are unimpaired by the Plan. Each holder of an Allowed Intercompany Equity Interest is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

b. Distributions

Subject to Article VII of the Plan, on the Effective Date, each Allowed Intercompany Equity Interest will be retained.

19. ~~16.~~ Class ~~727~~737 – Crescent Holdings Equity Interests

a. Impairment and Voting

Class ~~727~~737 is impaired by the Plan. Notwithstanding the foregoing, each holder of an Allowed Crescent Holdings Equity Interest is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

b. Treatment

Each holder of an Allowed Crescent Holdings Equity Interest will receive no distribution for and on account of such Crescent Holdings Equity Interest, and such Crescent Holdings Equity Interest will be cancelled on the Effective Date.

C. Identification of Claims and Equity Interests Impaired and Not Impaired by the Plan

1. Impaired and Unimpaired Classes

Claims and Equity Interests in Classes 1 through ~~242, 355~~240, 353 through 472, 475, ~~478, 481, and 606~~477, 481 through ~~726~~496, and 617 through 736 are not impaired under the Plan. Claims and Equity Interests in Classes ~~243~~241 through ~~354,~~352, 473, 474, 476, ~~477,~~ 478, 479, 480, ~~482~~497 through ~~605,~~616, and ~~727~~737 are impaired under the Plan.

2. Controversy Concerning Impairment

In the event of a controversy as to whether any Class of Claims or Equity Interests is impaired under the Plan, the Bankruptcy Court will, after notice and a hearing, determine such controversy.

D. Acceptance or Rejection of Plan; Effect of Rejection by One or More Classes of Claims

1. Impaired Classes to Vote on Plan

Each holder of a Claim or Equity Interest in an impaired Class, not otherwise deemed to have rejected the Plan, will be entitled to vote separately to accept or reject the Plan. The Claims included in ~~Classes 243~~241 through ~~354,~~352, 473, 474, 476, ~~477,~~478, 479, ~~480,~~480 and ~~482~~497 through ~~605~~616 are impaired, and therefore, are entitled to vote to accept or reject the Plan. Class ~~727~~737 is impaired, but deemed to have rejected the Plan, and therefore, is not entitled to vote to accept or reject the Plan.

2. Acceptance by Class of Creditors and Holders of Equity Interests

An impaired Class of holders of Claims will have accepted the Plan if the Plan is accepted by at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have voted to accept or reject the Plan. An impaired Class of holders of Equity Interests will have accepted the Plan if the Plan is accepted by at least two-thirds (2/3) in amount of the Allowed Equity Interests of such Class that have voted to accept or reject the Plan.

3. Cramdown

In the event that any impaired Class of Claims or Equity Interests fails to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, the Debtors reserve the

right to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code.

E. Implementation of the Plan and Related Documents

1. Non-Substantive Consolidation

On the Effective Date, the Debtors' estates will not be deemed to be substantively consolidated for purposes of the Plan. Any Claims against one or more of the Debtors based upon a guaranty, indemnity, co-signature, surety, or otherwise, of another Debtor will be treated as separate and distinct Claims against the estates of the respective Debtors and will be entitled to the treatment provided for under the Plan's provisions concerning distributions.

2. Restructuring and other Corporate Transactions

On the Effective Date, the Debtors will effect certain operational restructurings of its business. The operational restructurings will be described in further detail in the Plan Supplement. The operational restructurings will include, but will not be limited to:

a. Formation of Crescent Investment and Issuance of Reorganized Equity Interests

(i) Crescent Investment, a Delaware limited liability company, will be formed by the filing of the Crescent Investment Certificate of Formation with the Secretary of State of Delaware on or before the Effective Date, and will elect to be taxed as a corporation. Holders of Allowed Prepetition Lender Claims that receive Reorganized Equity Interests will receive Crescent Investment Units, unless they specifically elect on their ballot to receive Reorganized Holdings ~~Series B~~ Units. The Crescent Investment Operating Agreement will be adopted, and will ~~establish~~, among other things, ~~the governance structure of~~(i) establish the terms and rights of the Crescent Investment Units, (ii) establish certain restrictions on the transfer of Crescent Investment Units, and (iii) provide for certain rights and obligations of holders of Crescent Investment Units. The adoption of the Crescent Investment Operating Agreement will be authorized without need for any further limited liability company action.

(ii) On the Effective Date, the following transactions will be deemed to have occurred in the following order: (A) holders of Allowed Prepetition Lender Claims receiving Crescent Investment Units will be deemed to have contributed all of such holders' Allowed Prepetition Lender Claims to Crescent Investment in exchange for Crescent Investment Units and the right to receive their allocated share of Tranche B Notes, Tranche C Notes and Class B Litigation Trust Interests, as discussed in (C) below; (B) Crescent Investment will then be deemed to have contributed such Allowed Prepetition Lender Claims to Reorganized Crescent Holdings in exchange for (1) the Tranche B Notes, Tranche C Notes and Reorganized Holdings ~~Series A~~ Units allocable to the holders of the Crescent Investment Units (after giving effect to the Capital Consideration Allocations), and (2) such holders' Pro Rata share of Class B Litigation Trust Interests; and (C) Crescent Investment will distribute to the holders of the Crescent Investment Units such Tranche B Notes and Tranche C Notes allocable to each such holder (after giving effect to the Capital Consideration Allocations), plus each such holder's Pro

Rata share of Class B Litigation Trust Interests; and the transactions described in (A)-(C) above will be in full satisfaction of such transferred Allowed Prepetition Lender Claims.

(iii) On the Effective Date, and simultaneously with the transactions described in Section 2(a)(ii)(B) above, each Electing Holder will contribute all of its respective Allowed Prepetition Lender Claims to Reorganized Crescent Holdings in exchange for (A) the Tranche B Notes, Tranche C Notes and Reorganized Holdings ~~Series B~~ Units allocable to each such Electing Holder (after giving effect to the Capital Consideration Allocations), and (B) Class B Litigation Trust Interests in an amount equal to such holder's Pro Rata share; and the transactions described in (A)-(B) above will be in full satisfaction of such transferred Allowed Prepetition Lender Claims.

(iv) On the Effective Date, each holder of Allowed Prepetition Lender Claims receiving no Reorganized Equity Interests will receive (A) the Tranche B Notes and Tranche C Notes allocable to such holder (after giving effect to the Capital Consideration Allocations); and (B) Class B Litigation Trust Interests in an amount equal to such holder's Pro Rata share; and the transactions described in (A)-(B) above will be in full satisfaction of such holders' Allowed Prepetition Lender Claims.

b. Reorganized Crescent Holdings

Reorganized Crescent Holdings will enter into the Amended Crescent Holdings Operating Agreement, which will amend Crescent Holdings' current operating agreement in order to, among other things, (i) establish the terms and rights~~, powers and duties~~ of the Reorganized Holdings Units, (ii) establish certain restrictions on the transfer of Reorganized Holdings Units, and (iii) provide for certain ~~minority protections for~~rights and obligations of holders of Reorganized Holdings ~~Series B~~ Units. The adoption of the Amended Crescent Holdings Operating Agreement will be hereby authorized without the need for any further limited liability company action.

c. Reorganized Crescent Resources

Reorganized Crescent Holdings, in its capacity as the sole member of Reorganized Crescent Resources, will execute the Amended Crescent Resources Operating Agreement. The adoption of the Amended Crescent Resources Operating Agreement will be hereby authorized without any further need for any corporate action.

d. Vesting of Assets

Upon the Effective Date, pursuant to section 1141(b) and (c) of the Bankruptcy Code, all property of the Debtors' estates and the Litigation Trust Assets will vest in the Reorganized Debtors or the Litigation Trust, as the case may be, free and clear of all Liens, Claims, charges, encumbrances, or other interests, except as provided in the Plan. From and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code.

3. Cancellation of Existing Equity Interests, Notes, and Agreements

On the Effective Date, after the formation of Crescent Investment and the issuance of the Reorganized Equity Interests as described in Section 7.2(a) of the Plan, the then existing Crescent Holdings Equity Interests will be deemed cancelled and of no further force or effect without any further action on the part of the Bankruptcy Court or any other Person. Except (i) as otherwise expressly provided in the Plan, (ii) with respect to executory contracts or unexpired leases that have been assumed by the Debtors, (iii) for purposes of evidencing a right to distributions under the Plan, or (iv) with respect to any Claim that is reinstated and rendered unimpaired under the Plan, on the Effective Date, the Debtors' obligation under any document, agreement, debt instrument, or lien evidencing any Claim or Equity Interest in the Debtors (other than the Equity in the Debtors held, directly or indirectly, by Crescent Investment, each Electing Holder, Reorganized Crescent Holdings or the Reorganized Debtors), including without limitation, the DIP Notes and any interest in the Prepetition Credit Agreement and any notes issued thereunder, will be automatically discharged and released, without further act or action under any applicable agreement, law, regulation, order or rule; provided, that any obligations of the Debtors under the DIP Credit Facility that expressly survive repayment of the DIP Notes will not be discharged.

4. Crescent Holdings Information

After the Effective Date, as reasonably requested by the former holders of the Crescent Holdings Equity Interests or their representatives, Reorganized Crescent Resources will provide such information, at such holders' expense, as is necessary to enable such holders or their representatives to complete any necessary or advisable federal, state or local tax returns.

5. Litigation Trust Arrangements

On the Effective Date, the Debtors will enter into the Litigation Trust Agreement pursuant to which the Litigation Trust Assets will be transferred to the Litigation Trust.

6. Incurrence of New Indebtedness

On the Effective Date, the Reorganized Debtors' entry into the Exit Facility and the Second Lien Facility and the incurrence of the indebtedness thereunder will be authorized without the need for any further corporate, partnership, or limited liability company action and without any further action by holders of Claims or Equity Interests.

a. Exit Facility

On the Effective Date, Reorganized Crescent Resources, as borrower, and certain of the Reorganized Debtors, as guarantors, will enter into the Exit Facility, pursuant to the terms of the Exit Facility Agreement. The Exit Facility will be secured by a first priority lien on, and security interest in, substantially all of the assets of the Reorganized Debtors, subject to certain exceptions. Currently, the Debtors are not aware of any material assets of the Reorganized Debtors that will be excluded from the aforementioned first priority lien. The proceeds of the Exit Facility will be available for use by the Reorganized Debtors to, among other things, make distributions under the Plan to holders of Allowed Administrative Expense Claims, Allowed DIP

Claims, Allowed Professional Compensation and Reimbursement Claims, and Allowed Priority Tax Claims against the Debtors, and to satisfy any general working capital requirements of the Reorganized Debtors on and after the Effective Date. ~~The material terms of the Exit Facility will be attached as~~At this time, the Debtors are in the process of soliciting proposals from potential Exit Facility lenders. The Debtors intend to sign a commitment letter in the near term and will attach an exhibit to the Plan Supplement that outlines the material terms of such Exit Facility.

b. Second Lien Facility

On the Effective Date, Reorganized Crescent Resources, as borrower, and certain of the Reorganized Debtors, as guarantors, will enter into the Second Lien Facility, in aggregate principal amount of $465,000,000 (subject to reduction as a result of any allocation of Tranche C Notes to Reorganized Equity Interests pursuant to the Capital Consideration Allocations). In conjunction with the execution of the Second Lien Facility, the holders of Allowed Prepetition Lender Secured Claims will receive the Tranche B Notes and Tranche C Notes in accordance with the terms of the Plan. The Second Lien Facility will be secured by a second priority lien on substantially all of the assets of Reorganized Debtors, subject to certain exceptions. Currently, the Debtors are not aware of any material assets of the Reorganized Debtors that will be excluded from the aforementioned second priority lien. The material terms of the Second Lien Facility are set forth in more detail on Exhibit A of the Plan.

c. Capital Consideration Allocation

On the Effective Date, holders of Allowed Prepetition Lender Secured Claims will be distributed a Pro Rata share of Tranche B Notes, Tranche C Notes and Reorganized Equity Interests (each a "Capital Consideration Series," and together the "Capital Consideration"), unless any such holder indicates on its ballot (such indication, an "Allocation Election") an election to receive, to the extent possible, one Capital Consideration Series in lieu ~~of all or a portion~~ of one or two of the other Capital Consideration Series (an "Allocating Holder"). Allocating Holders will be asked to provide, on their ballots, their preference to receive ~~(by dollar value)~~, in lieu ~~of all or a portion~~ of one or two Capital Consideration Series that it would otherwise receive (the "Opt-Out Series"), one of the other Capital Consideration Series (the "First Priority Election"). To the extent ~~(but only to the extent)~~ that such Allocating Holder's First Priority Election cannot be fulfilled, in whole or in part, due to oversubscription for the applicable Capital Consideration Series, such Allocating Holder will also be asked to indicate on its ballot, its preference to ~~either keep~~receive more of one of the other Capital Consideration Series in lieu of a balance in a single Opt-Out Series (the "Second Priority Election"). If no election is made in the Second Priority Election, the remaining unallocated balances of the Opt-Out Series will be maintained in the applicable Opt-Out Series ~~or, in the alternative, to receive a different Capital Consideration Series (the "Second Priority Election")~~. The Debtors will, prior to the Effective Date, first allocate the aggregate Capital Consideration Series of all of the Allocating Holders based on ~~all of~~ their First Priority Election and, thereafter, if applicable and to the extent possible, allocate the aggregate Capital Consideration Series of all Allocating Holders that would not fully receive their First Priority Election, based on their Second Priority Election (the "Clearinghouse Mechanism"). ~~By selecting~~If two Opt-Out Series are selected to be allocated, an Allocating Holder agrees that the Debtors may have to allocate such Opt-Out Series in disproportionate amounts as part of the Clearinghouse Mechanism. To

the extent that the First Priority Election or the Second Priority Election preferences cannot be fully accommodated due to oversubscription for a given Capital Consideration Series, ~~the~~each affected Allocation ~~Elections~~Election will be reduced on a pro rata basis, based on the ~~percentage~~proportion that the amount of such unallocated First Priority Election or Second Priority Election preference that cannot be accommodated bears to the aggregate oversubscribed amount of the applicable Capital Consideration Series. For purposes of the foregoing, each Tranche B Note and Tranche C Note will be equal to its stated principal amount and each unit of Reorganized Equity Interest will have a stated value of $1 per unit, with the aggregate number of Reorganized Equity Interests to be issued being calculated using the Midpoint Equity Value, which~~, for the avoidance of doubt, will~~ shall initially be calculated without taking into account any ~~Capital Consideration Allocations~~reallocation of Tranche C Notes to Reorganized Equity Interests pursuant to Section 7.6(d) hereof; provided, that the Midpoint Equity Value, and amount of Reorganized Equity Interests to be issued, on the Effective Date shall subsequently be adjusted to take into account any such reallocation.

The holder of an Allowed Prepetition Lender Secured Claim that elects not to make use of the Clearinghouse Mechanism, or that does not make a valid election, shall be deemed to have opted to receive its Pro Rata distribution of Tranche B Notes, Tranche C Notes and Reorganized Equity Interests under the Plan.

The ballot will also contain a ~~right for all~~reallocation election that applies to an Allocating ~~Holders that~~Holder if (i) ~~make an Allocation Election in which (A) 100% of such~~an Allocating Holder's ~~Pro Rata share of~~ Tranche B Notes and Tranche C Notes are ~~elected~~allocated as Opt-Out Series~~ and (B) the~~, (ii) such Allocating Holder indicates its desire to receive Reorganized Equity Interests as its First Priority Election ~~with respect to each~~in lieu of both Opt-Out Series ~~is Reorganized Equity Interests, and (ii) following~~, and (iii) after application of the Clearinghouse Mechanism, ~~have~~such Allocating Holder still has been allocated ~~a portion of the Tranche C Notes, to elect to receive in lieu of any such Tranche C Notes,~~Tranche C Notes. If the conditions of the preceding sentence are met, such Allocating Holder will also have the opportunity to indicate on its ballot, in the manner set forth below, that it prefers to receive Reorganized Equity Interests ~~based on the values set forth in the last sentence of paragraph (c), above.~~in lieu of all of its Tranche C Notes.

7. Illustrative Discussion of Capital Consideration Allocation

The following discussion illustrates the information that is included in the ballots provided to holders of the Allowed Prepetition Lender Secured Claims, and the Allocation Elections that Allocating Holders will be permitted to make.

Each holder of an Allowed Prepetition Lender Secured Claim will receive a ballot indicating in the following manner the dollar value of such holder's Claim (based on its pro rata share of the aggregate Allowed Prepetition Lender Secured Claims), and the amount of each Capital Consideration Series to be received in full satisfaction of such Claim:

~~**For informational purposes:**~~*Allowed Prepetition Lender Claim*: $ XXX *Allowed Prepetition Lender Secured Claim*: $XXX *Prepetition Lender Deficiency Claim*: $ XXX *Pro Rata Percentage Share of Aggregate Allowed Prepetition Lender Secured ~~Claim~~Claims*: XX % *Pro Rata Allocation of Capital Consideration Series (*based on Allowed Prepetition Lender Secured Claim*)*: Tranche B Notes: Tranche C Notes: Reorganized Equity Interests: $XXX $XXX $XXX

a. Default Election

If a holder of an Allowed Prepetition Lender Secured Claim makes no further election, such holder will receive the consideration in the form and amounts set forth on the ballot in the same manner as set forth above.

b. Capital Consideration Allocation

(i) First Priority Election

If a holder of an Allowed Prepetition Lender Secured Claim ~~wishes~~elects to receive more of a certain Capital Consideration Series, in lieu of one or two Capital Consideration Series ~~described above, one of the other Capital Consideration Series~~, such Allocating Holder will ~~then~~ be instructed to indicate its desire to use the Clearinghouse Mechanism and, if so desired, indicate its election on its ballot to (x) "opt-out" of one or two ~~forms of~~ Capital Consideration Series (its "Opt-Out ~~Services~~Series") and (y) select its first priority choice of one other Capital Consideration Series to receive in lieu of its Opt-Out Series (its "First Priority Election"). If two Opt-Out Series are selected~~,~~ to be allocated, an Allocating Holder agrees that the Debtors~~, as part of the Clearinghouse Mechanism,~~ may have to reallocate each Opt-Out Series in disproportionate amounts~~, depending upon the elections made by other holders of the Allowed Prepetition Lender Secured Claims~~ as part of the Clearinghouse Mechanism. Holders of Allowed Prepetition Lender Secured Claims will indicate their Opt-Out Series and their First Priority Election in the following manner as part of the Clearinghouse Mechanism:

Allocation Election ☐ check this box to make use of the Clearinghouse Mechanism.
Opt-Out Series 1 (indicate below one of the following Capital Consideration Series that you do not wish to receive on a first priority basis (the "Opt-Out Series 1"))): Tranche B Notes: ☐ Tranche C Notes: ☐ Reorganized Equity Interests: ☐
Opt-Out Series 2 (if there is a second form of Capital Consideration you do not wish to receive in addition to the form selected in Opt-Out Series 1, indicate below one of the following Capital Consideration Series that you do not wish to receive on a first priority basis (the "Opt-Out Series 2")): Tranche B Notes: ☐ Tranche C Notes: ☐ Reorganized Equity Interests: ☐
First Priority Election (indicate one of the following Capital Consideration Series you wish to receive in lieu of the Opt-Out Series 1, and, if applicable, Opt-Out Series 2, indicated above): Tranche B Notes: ☐ Tranche C Notes: ☐ Reorganized Equity Interests: ☐

(ii) Second Priority Election

To address any situations in which an Allocating Holder's First Priority Election cannot be fulfilled in whole or in part due to oversubscription for the applicable Capital Consideration Series, ~~all~~ Allocating Holders ~~must also~~will have the opportunity to indicate on their ballot their election and preference to ~~either (i) receive the balance of any Capital Consideration in the form of the remaining~~receive more of one of the other Capital Consideration Series in lieu of a balance in a single Opt-Out Series (the "Second Priority Election"). If no election is made in the Second Priority Election, the remaining unallocated balances of the Opt-Out Series~~, or (ii) receive a different Capital Consideration Series as its second priority choice for the remaining balances of its Opt-Out Series ("Secured Priority Election")~~ will be maintained in the applicable Opt-Out Series. Allocating Holders will indicate their Second Priority Election in the following manner:

Second Priority Election (~~indicate your choice of either Option 1 or Option 2 in the event the First Priority Election request cannot be fulfilled, in whole or in part~~if applicable)~~:~~

~~**Option 1** – check this box to keep any balances in the Opt-Out Series in the form of such Opt-Out Series.~~

~~**Option 2** –~~ Indicate, by checking one of the following boxes, the Capital Consideration Series you wish to ~~be received in lieu of any balances~~receive in lieu of a balance in an Opt-Out Series if your First Priority Election cannot be accommodated in whole or in part *(if no election is made, the remaining unallocated balances of the Opt-Out Series will be maintained in the applicable Opt-Out Series)*:

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
☐	☐	☐

~~If an Allocating Holder's~~To the extent that the First Priority Election or the Second Priority Election preferences cannot be fully accommodated ~~in whole or in part~~due to oversubscription for a given Capital Consideration Series, each affected Allocation Election ~~shall~~will be reduced on a pro rata basis, based on the proportion that the amount of such ~~Capital Consideration Series requested by such Allocating Holder as their~~unallocated First Priority Election ~~(~~or Second Priority Election~~, as applicable)~~ preference that cannot be accommodated bears to the ~~total~~aggregate oversubscribed amount of ~~such~~the applicable Capital Consideration Series ~~requested by all Allocating Holders as their First Priority Election (or Second Priority Election, as applicable) that cannot be accommodated~~.

(iii) Reorganization Interests for Tranche C Notes

If (i) ~~100% of~~ an Allocating Holder's Tranche B Notes and Tranche C Notes are allocated as Opt-Out Series, (ii) such Allocating Holder indicates its desire to receive Reorganized Equity Interests as its First Priority Election in lieu of both Opt-Out Series, and (iii) after application of the Clearinghouse Mechanism, such Allocating Holder still has been allocated Tranche C Notes, such Allocating Holder will also have the opportunity to indicate ~~in~~on its ballot, in the manner set forth below, that it prefers to receive Reorganized Equity Interests in lieu of all of its Tranche C Notes:

~~***Receipt of Reorganized Equity Interests in lieu of certain Tranche C Notes*** (indicate your choice of either Option 1 or Option 2, if applicable):~~

~~**Option 1** — check this box to receive Reorganized Equity Interests in lieu of all of your Tranche C Notes remaining after application of the Clearinghouse Mechanism.~~

~~**Option 2** — check this box to keep your Tranche C Notes remaining after the Clearinghouse Mechanism and NOT receive Reorganized Equity Interests in lieu of such Tranche C Notes.~~

Check the box if applicable:

☐ Reorganized Equity Interests requested in lieu of all Tranche C Notes. *(If box is not checked, Tranche C Notes will be issued.)*

c. Examples

The following examples are provided for illustrative purposes only, and assume that Tranche B Notes and Tranche C Notes in aggregate principal amount of $250 million and $215 million, respectively, will be allocated and that the Midpoint Equity Value will be $~~140~~124 million.

(i) If Holder A's Pro Rata share of the Allowed Prepetition Lender Secured Claims is 10%, and Holder A would like to receive Reorganized Equity Interests in lieu of Tranche B Notes and Tranche C Notes, Holder A would mark its ballot as follows:

Allowed Prepetition Lender Claim: $155,106,359.16

Allowed Prepetition Lender Secured Claim: $~~60,500,000~~58,900,000

Prepetition Lender Deficiency Claim: $96,206,359.16

Pro Rata Percentage Share of Aggregate Allowed Prepetition Lender Secured ~~Claim~~Claims: 10%

Pro Rata Allocation of Capital Consideration Series (based on Allowed Prepetition Lender Secured Claim):

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
$25,000,000	$21,500,000	$~~14,000,000~~12,400,000

Allocation Election

☐ check this box to make use of the Clearinghouse Mechanism.

Opt-Out Series 1 (indicate below one of the following Capital Consideration Series that you do not wish to receive on a first priority basis (the "Opt-Out Series 1")):

[A holder wishing to opt-out of Tranche B Notes would complete as follows:]

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
☐	☐	☐

Opt-Out Series 2 (if there is a second form of Capital Consideration you do not wish to receive, in addition to the form selected in Opt-Out Series 1, indicate below one of the following Capital Consideration Series that you do not wish to receive on a first priority basis (the "Opt-Out Series 2")):

[A holder wishing to opt-out of Tranche C Notes would complete as follows:]

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
☐	☐	☐

First Priority Election (indicate one of the following Capital Consideration Series you wish to receive in lieu of the Opt-Out Series 1, and if applicable, Opt-Out Series 2 indicated above):

[A holder wishing to receive Reorganized Equity Interests in lieu of the Tranche B Notes and Tranche C Notes would complete as follows:]

Tranche B Notes:	Tranche B Notes:	Reorganized Equity Interests:
☐	☐	☐

Second Priority Election (~~indicate your choice of either Option 1 or Option 2 in the event the First Priority Election request cannot be fulfilled, in whole or in part~~if applicable):

~~**Option 1** – check this box to keep any balances in the Opt-Out Series in the form of such Opt-Out Series.~~

~~[For example, a holder would check this box if it requested Reorganized Equity Interests in lieu of Tranche B Notes and wants, if such request cannot be filled in whole or in part, to retain the Tranche B Notes rather than receive Tranche C Notes in lieu thereof.]~~

~~**Option 2** –~~Indicate, by checking one of the following boxes, the Capital Consideration Series you wish to ~~be received in lieu of any balances~~receive in lieu of a balance in an Opt-Out Series if your First Priority Election cannot be accommodated in whole or in part (*if no election is made, the remaining unallocated balances of the Opt-Out Series will be maintained in the applicable Opt-Out Series*):

[For example, a holder that requested Reorganized Equity Interests in lieu of Tranche B Notes and wishes to receive Tranche C Notes if Reorganized Equity Interests are not available would complete as follows:]

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
☐	☐	☐

~~***Receipt of Reorganized Equity Interests in lieu of certain Tranche C Notes*** (indicate your choice of either Option 1 or Option 2, if applicable):~~

~~**Option 1** – check this box to receive Reorganized Equity Interests in lieu of all of your Tranche C Notes remaining after the Clearinghouse Mechanism.~~

~~**Option 2**~~ ***Check the box if applicable:***

☐ ~~check this box to keep your Tranche C Notes remaining after the Clearinghouse Mechanism and NOT receive such~~all Tranche C Notes. *(If box is not checked, Tranche C Notes will be issued.)*

(ii) If Holder B's Pro Rata share of the Allowed Prepetition Lender Secured Claims is 15%, and Holder B would like to avoid receiving any Reorganized Equity Interests and prefers to receive its Capital Consideration entirely in Tranche B Notes, Holder B would mark its ballot as follows:

Allowed Prepetition Lender Claim: $232,659,538.74

Allowed Prepetition Lender Secured Claim: $~~90,750,000~~88,350,000

Prepetition Lender Deficiency Claim: $144,309,538.74

Pro Rata Percentage Share of Aggregate Allowed Prepetition Lender Secured ~~Claim~~Claims: 15%

***Pro Rata Allocation~~:~~ of Capital Consideration Series* (based on Allowed Prepetition Lender Secured Claim):**

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
$37,500,000	$32,250,000	$~~21,000,000~~18,600,000

Allocation Election

☐ check this box to make use of the Clearinghouse Mechanism.

Opt-Out Series 1 (indicate below one of the following Capital Consideration Series that you do not wish to receive on a first priority basis (the "Opt-Out Series 1")):

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
☐	☐	☐

Opt-Out Series 2 (if there is a second form of Capital Consideration that you do not wish to receive, in addition to the form selected in Opt-Out Series 1, indicate below one of the following Capital Consideration Series that you do not wish to receive on a first priority basis (the "Opt-Out Series 2")):

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
☐	☐	☐

First Priority Election (indicate one of the following Capital Consideration Series you wish to receive in lieu of the Opt-Out Series 1, and if applicable, Opt-Out Series 2 indicated above):

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
☐	☐	☐

Second Priority Election (~~indicate your choice of either Option 1 or Option 2 in the event the First Priority Election request cannot be fulfilled, in whole or in part~~if applicable):

~~**Option 1** – check this box to keep any balances in the Opt-Out Series in the form of such Opt-Out Series.~~

~~**Option 2** –~~Indicate, by checking one of the following boxes, the Capital Consideration Series you wish to ~~be received in lieu of any balances~~receive in lieu of a balance in an Opt-Out Series if your First Priority Election cannot be accommodated in whole or in part (*if no election is made, the remaining unallocated balances of the Opt-Out Series will be maintained in the applicable Opt-Out Series*):

Tranche B Notes:	Tranche C Notes:	Reorganized Equity Interests:
☐	☐	☐

~~Receipt of~~ Check the box if applicable:

☐ Reorganized Equity Interests requested in lieu of ~~***certain***~~all Tranche C Notes ~~(indicate your choice of either Option 1 or Option 2, if applicable):~~. *(If box is not checked, Tranche C Notes will be issued.)*

[*Note that this election is not applicable in this example, and, accordingly, ~~neither~~the box is not selected.*]

~~**Option 1** – check this box to receive Reorganized Equity Interests in lieu of all of your Tranche C Notes remaining after the Clearinghouse Mechanism.~~

~~**Option 2** – check this box to keep your Tranche C Notes remaining after the Clearinghouse Mechanism and NOT receive Reorganized Equity Interests in lieu of such Tranche C Notes.~~

8. Contribution of Claims and Issuance of Reorganized Equity Interests

The (i) formation of Crescent Investment, (ii) contribution of Allowed Prepetition Lender Claims to Crescent Investment and Reorganized Crescent Holdings, and (iii) the issuance by Crescent Investment and Reorganized Crescent Holdings of the Reorganized Equity Interests on the Effective Date will be authorized without the need for any further corporate, partnership, or limited liability company action and without the need for any further action by holders of Claims or Equity Interests. Holders of Allowed Prepetition Lender ~~Secured~~ Claims receiving Reorganized Equity Interests (after taking into account the Capital Consideration Allocations) will receive Crescent Investment Units, unless they specifically elect on their ballots to receive Reorganized Holdings ~~Series B~~ Units. The terms of the Reorganized Equity Interests will be more fully described in the Crescent Investment Operating Agreement and Amended Crescent Holdings Operating Agreement to be included as exhibits to the Plan Supplement.

9. Limited Liability Company Action

Upon the Effective Date, the following transactions will be deemed to occur:

a. General

All matters provided for and actions contemplated under the Plan that would otherwise require approval of the Equity Interest holders, managers or officers of the Debtors, or the Reorganized Debtors, will be deemed authorized and approved in all respects and to have occurred from and after the Effective Date, including, but not limited to, the (i) execution and entry into the Litigation Trust Agreement, (ii) execution and entry into the Exit Facility Agreement, (iii) execution and entry into the Second Lien Facility, (iv) distribution of the Reorganized Equity Interests, (v) ~~adoption of the Management Incentive Plan, (vi)~~ selection of

the board of ~~directors~~managers and officers of ~~Crescent Investment and~~ Reorganized Crescent Holdings and Crescent Investment, and (~~vii~~vi) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date), including without limitation, actions in connection with the sale or disposal of the remaining assets of certain of the Reorganized Debtors and the dissolution of and the wind-down of their respective affairs, pursuant to the applicable law in the jurisdiction in which each applicable Reorganized Debtor is incorporated or formed and pursuant to the respective limited liability company agreement, limited partnership agreement, operating agreement, bylaws, certificate of incorporation, articles of incorporation, certificate of formation, articles of organization or other similar governing documents, in effect prior to the Effective Date, except to the extent such limited liability company agreement, limited partnership agreement, bylaws, certificate of incorporation, articles of incorporation, certificate of formation, articles of organization or other similar governing documents are amended by the Plan or otherwise. To the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval. Without limiting the foregoing, from and after the Effective Date, and notwithstanding any provision contained in the Debtors' respective limited liability company agreement, limited partnership agreement, bylaws, certificate of incorporation, articles of incorporation, certificate of formation, articles of organization or other similar governing documents to the contrary, the Debtors and the Reorganized Debtors, individually or collectively, will not require the affirmative vote of holders of Equity Interests to take any corporate, partnership, or limited liability company action with respect to matters to be implemented in the Plan, including, but not limited to, the compromise and settlement of claims and Causes of Action of or against the Debtors and their chapter 11 estates. On or prior (as applicable) to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, will be authorized and directed to issue, execute, and deliver all agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions of the contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors.

b. Merger, Dissolution, Consolidation

On or as of the Effective Date, or as soon as practicable thereafter, and without the need for any further corporate, partnership, or limited liability company action, the Reorganized Debtors may (i) cause any of the Reorganized Debtors to be merged or otherwise consolidated with and into any other Debtor, (ii) cause any of the Reorganized Debtors to be converted into a corporation or other entity, (iii) cause any of the Reorganized Debtors to be liquidated and dissolved, (iv) cause any assets of the Debtors to be sold or transferred to another Reorganized Debtor, or (v) engage in any other transaction in furtherance of the Plan. Without limiting the foregoing, on the Effective Date or as soon thereafter as practicable, (x) the Debtors to be so listed in the Plan Supplement will be deemed liquidated and dissolved and a certificate of cancellation or dissolution or other applicable document will be filed with the Secretary of State of the state of organization of each such entity, and (y) the assets to be so listed in the Plan Supplement shall be transferred to the entity listed therein, in the case of each clause (x) and (y), without the need for any further limited liability company, partnership, or corporate action and without any further action on the part of the Bankruptcy Court or any other Person.

c. Reorganized Debtors Amended Organizational Documents

To the extent necessary, on or before the Effective Date or as soon as practicable thereafter, the Reorganized Debtors will (i) enter into, or amend, such limited liability company agreements, limited partnership agreements, bylaws, certificates of incorporation, articles of incorporation, certificates of formation, articles of organization or other similar governing documents, as necessary to effectuate and implement the terms and conditions of the Plan, and (ii) as applicable, file such governing documents with applicable governmental authorities, without the need for any further corporate, partnership, or limited liability company action and without any further action by holders of Claims or Equity Interests.

10. Intercompany Claims

Notwithstanding anything to the contrary in the Plan, Intercompany Claims will be adjusted, continued, or discharged to the extent determined appropriate by the Debtors or the Reorganized Debtors, in their sole discretion. Any such transaction may be effected on or subsequent to the Effective Date without any further action by the members, partners, or stockholders of any of the Debtors, the Debtors in Possession or the Reorganized Debtors.

11. Abandoned Property of the Debtors' Estates

To the extent the Debtors abandoned their interests in property of the Debtors' estates to a Secured Creditor, and title to such property has not transferred to such Secured Creditor before the Effective Date, upon the Effective Date, title to such property will be transferred to such Secured Creditor in accordance with applicable non-bankruptcy law.

12. Existence

Except as otherwise provided in the Plan, each Reorganized Debtor will continue to exist after the Effective Date as a separate corporation, limited liability company, partnership, or other entity form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other entity form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Reorganized Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval.

13. Effectuating Documents and Further Transactions

On and after the Effective Date, the Reorganized Debtors and the officers of Crescent Investment, together with their respective officers, managers, employees, and directors, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the

Reorganized Debtors, without the need for any approvals, authorizations, or consents except for those expressly required pursuant to the Plan.

14. Exemption from Securities Laws

To the maximum extent provided by section 1145 of the Bankruptcy Code and applicable non-bankruptcy law, the issuance under the Plan of the Reorganized Equity Interests will be exempt from registration under the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder, and under applicable state securities laws.

15. Transfer Restrictions on Reorganized Equity Interests

~~No~~Unless unanimously approved by the members of the board of managers of Reorganized Crescent Holdings, no transfer of Reorganized Equity Interests will be permitted if such transfer (i) cannot be effected without registration under Securities Act or if it would require a registration under the Exchange Act, (ii) would pose a material risk that Reorganized Crescent Holdings would be treated as a "publicly traded partnership" as defined in section 7704 of the Tax Code, or (iii) would result in a "technical termination" of Reorganized Crescent Holdings under section 708(b)(1)(B) of the Tax Code.

F. Establishment of Litigation Trust

1. Establishment of the Litigation Trust

On the Effective Date, the Debtors or the Reorganized Debtors, as the case may be, on their own behalf and on behalf of the Litigation Trust Beneficiaries will execute the Litigation Trust Agreement and will take all other steps necessary to establish the Litigation Trust in accordance with and pursuant to the terms of the Plan. The Debtors or the Reorganized Debtors will transfer to the Litigation Trust all of their right, title, and interest in the Litigation Trust Assets. Any recoveries on account of the Litigation Trust Assets will be distributed to holders of Litigation Trust Interests in accordance with the Plan and the Litigation Trust Agreement.

2. Purpose of the Litigation Trust

The Litigation Trust will be established for the sole purpose of liquidating the Litigation Trust Assets, in accordance with Treasury Regulation Section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

3. Litigation Trust Interests

The Litigation Trust Interests will be issued in the form of Class A Litigation Trust Interests and Class B Litigation Trust Interests. Class A Litigation Trust Interests will be issued to holders of Allowed Other General Unsecured Claims and Class B Litigation Trust Interests will be issued to the holders of Allowed Prepetition Lender Deficiency Claims. Distributions from the Litigation Trust will be made on a Pro Rata basis between the Class A Litigation Trust Interests and the Class B Litigation Trust Interests, provided, that if the Creditors~~'~~' Committee ~~has~~and the Debtors have fully released all of the Prepetition

~~Lenders~~Lender Excluded Parties from any causes of action (including for the avoidance of doubt any Avoidance Actions) as of the Effective Date of the Plan or the "Investigation Termination Date" (as such term is defined in the Final DIP Order) has expired without the Creditors~~'~~' Committee having filed any cause of action against any Prepetition Lender Excluded Parties, then the Class B Litigation Trust Interests will be subordinated to the Class A Litigation Trust Interests distributed to all the holders of Allowed Other General Unsecured Claims in any Accepting Other General Unsecured Claims Class such that any distributions that would have been made in respect of the Class B Litigation Trust Units on the basis of a Pro Rata distribution among all Litigation Trust Interests will be delivered to the Accepting Other General Unsecured Claims Classes (to be distributed among such Accepting Other General Unsecured Claims Classes pro rata among such Accepting Other General Unsecured Claims Classes) until the Allowed Other General Unsecured Claims of the Holders in such Accepting Other General Unsecured Claims Classes have been paid in full.

4. Funding Expenses of the Litigation Trust

In accordance with the Litigation Trust Agreement, upon the creation of the Litigation Trust, the Debtors or the Reorganized Debtors, as the case may be, will transfer the Litigation Trust Funds to finance the operations of the Litigation Trust, and the Debtors and the Reorganized Debtors will have no further obligation to provide any funding with respect to the Litigation Trust. Any Cash received in respect of any Litigation Trust Assets (excluding the Litigation Trust Funds themselves) will be first allocated to replenish the Litigation Trust Fund Reserve Amount prior to being distributed to holders of Litigation Trust Interests in accordance with the Plan and the Litigation Trust Agreement.

5. Transfer of Assets

The transfer of the Litigation Trust Assets to the Litigation Trust will be made, as provided in the Plan, for the benefit of the Litigation Trust Beneficiaries. On behalf of the Litigation Trust Beneficiaries, the Debtors, will transfer such Litigation Trust Assets to the Litigation Trust in exchange for Litigation Trust Interests for the benefit of the Litigation Trust Beneficiaries in accordance with the Plan. Upon the transfer of the Litigation Trust Assets, the Debtors will have no interest in or with respect to the Litigation Trust Assets or the Litigation Trust. Notwithstanding the foregoing, for purposes of section 553 of the Bankruptcy Code, the transfer of the Litigation Trust Assets to the Litigation Trust will not affect the mutuality of obligations which otherwise may have existed prior to the effectuation of such transfer. To the extent that any Litigation Trust Assets cannot be transferred to the Litigation Trust because of a restriction on transferability under applicable non-bankruptcy law that is not superseded or preempted by section 1123 of the Bankruptcy Code or any other provision of the Bankruptcy Code, such Litigation Trust Assets will be deemed to have been retained by the Reorganized Debtors and the Litigation Trustee will be deemed to have been designated as a representative of the Reorganized Debtors pursuant to section 1123(b)(3)(B) of the Bankruptcy Code to enforce and pursue such Litigation Trust Assets on behalf of the Reorganized Debtors. Notwithstanding the foregoing, all net proceeds of such Litigation Trust Assets will be transferred to the Litigation Trust to be distributed to the holders of the Litigation Trust Interests consistent with the terms of the Plan and the Litigation Trust Agreement.

The Litigation Trust Assets will include, but are not limited to, those Causes of Action arising under Chapter 5 of the Bankruptcy Code including those actions which could be brought by the Debtors under §§544, 547, 548, 549, 550, and 551 against any Person or Entity other than the Litigation Trust Excluded Parties. The Litigation Trust Assets will also include the 2006 Transaction Causes of Action against any Person or Entity other than the Litigation Trust Excluded Parties.

6. Valuation of Assets

As soon as possible after the creation of the Litigation Trust, but in no event later than 90 days thereafter, the Litigation Trust Board will inform, in writing, the Litigation Trustee of the value of the assets transferred to the Litigation Trust (and of the Class A Litigation Trust Interests and the Class B Litigation Trust Interests), based on the good faith determination of the Litigation Trust Board, and the Litigation Trustee will apprise, in writing, the Litigation Trust Beneficiaries of such valuation. The valuation will be used consistently by all parties (including the Debtors, the Reorganized Debtors, the Litigation Trustee, and the beneficiaries of the Litigation Trust) for all federal income tax purposes.

7. Litigation; Responsibilities of Litigation Trustee

The Litigation Trustee, upon direction by the Litigation Trust Board and in the exercise of its collective reasonable business judgment, will, in an expeditious but orderly manner, liquidate and convert to Cash the assets of the Litigation Trust, make timely distributions, and not unduly prolong the duration of the Litigation Trust. The liquidation of the Litigation Trust Assets may be accomplished either through the prosecution, compromise and settlement, abandonment, or dismissal of any or all claims, rights, or causes of action, or otherwise. The Litigation Trustee, upon direction by the Litigation Trust Board, will have the absolute right to pursue or not to pursue any and all Litigation Trust Assets as it determines is in the best interests of the beneficiaries of the Litigation Trust ~~Beneficiaries~~, and consistent with the purposes of the Litigation Trust, and will have no liability for the outcome of its decision except for any damages caused by willful misconduct or gross negligence. The Litigation Trustee may incur any reasonable and necessary expenses in liquidating and converting the Litigation Trust Assets to Cash and will be reimbursed in accordance with the provisions of the Litigation Trust Agreement. The Litigation Trustee will have such other rights and obligations as set forth in the Litigation Trust Agreement.

No later than fifteen (15) days prior to the date the hearing to confirm the Plan is commenced, the Litigation Trustee will be selected by the Creditors' Committee and the Requisite Prepetition Lenders and, named in the Confirmation Order or in the Litigation Trust Agreement, and have the power to (i) prosecute for the benefit of the Litigation Trust all Claims, rights, and Causes of Action transferred to the Litigation Trust (whether such suits are brought in the name of the Litigation Trust or otherwise) and (ii) otherwise perform the functions and take the actions provided for or permitted in the Plan or in any other agreement executed by the Litigation Trustee pursuant to the Plan. Litigation Trust Claims include all Avoidance Actions other than preference actions under section 547 of the Bankruptcy Code against Trade Creditors of the Debtors, and the Debtors anticipate the Litigation Trustee will investigate and pursue any such Avoidance Actions, including any Causes of Action related to the 2006 Duke Transaction.

Any and all proceeds generated from the Litigation Trust Assets will be the property of the Litigation Trust.

8. Investment Powers

The right and power of the Litigation Trustee to invest assets transferred to the Litigation Trust, the proceeds thereof, or any income earned by the Litigation Trust will be limited to the right and power to invest such assets (pending periodic distributions in accordance with Section 8.9 of the Plan) only in Cash and Government securities as defined in section 2(a)(16) of the Investment Company Act of 1940, as amended; provided, however, that (a) the scope of any such permissible investments will be further limited to include only those investments that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d), may be permitted to hold, pursuant to the Treasury Regulations, or any modification in the IRS guidelines, whether set forth in IRS rulings, other IRS pronouncements, or otherwise, and (b) the Litigation Trustee may expend the assets of the Litigation Trust (i) as reasonably necessary to meet contingent liabilities and maintain the value of the assets of the Litigation Trust during liquidation, (ii) to pay reasonable administrative expenses (including, but not limited to, any taxes imposed on the Litigation Trust or reasonable fees and expenses in connection with litigation), and (iii) to satisfy other liabilities incurred or assumed by the Litigation Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Litigation Trust Agreement.

9. Distributions; Withholding

The Litigation Trustee will distribute ~~at least semi-annually~~ to the holders of the Litigation Trust Interests, all Net Proceeds from the liquidation of the Litigation Trust Assets (including as Cash for this purpose, all Cash Equivalents) upon the occurrence of certain triggering events as specified in the Litigation Trust Agreement; provided, however, that the Litigation Trust may retain such amounts (i) as are reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Litigation Trust during liquidation, (ii) to pay reasonable administrative expenses (including any taxes imposed on the Litigation Trust or in respect of the assets of the Litigation Trust), (iii) to satisfy other liabilities incurred or assumed by the Litigation Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Litigation Trust Agreement, and (iv) as determined by the Litigation Trust Board, to fund the operations of the Litigation Trust. All such distributions to be made under the Litigation Trust Agreement will be made to the Disbursing Agent who will distribute them to the holders of the Litigation Trust Interests based on the number of Litigation Trust Interests held by a holder compared with the aggregate number of Litigation Trust Interests outstanding, in each case subject to the terms of the Plan and the Litigation Trust Agreement. The Litigation Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Litigation Trustee's reasonable sole discretion, to be required to be withheld by any law, regulation, rule, ruling, directive, or other governmental requirement.

10. Reporting Duties

a. Federal Income Tax Treatment of the Litigation Trust.

(i) Litigation Trust Assets Treated as Owned by Creditors

For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Reorganized Debtors, the Litigation Trustee, and the beneficiaries of the Litigation Trust) will treat the transfer of the Litigation Trust Assets to the Litigation Trust for the benefit of the beneficiaries of the Litigation Trust, whether their Claims are Allowed on or after the Effective Date, as (a) a transfer of the Litigation Trust Assets directly to those holders of Allowed Claims receiving Litigation Trust Interests (other than to the extent allocable to Disputed Claims), followed by (b) the transfer by such Persons to the Litigation Trust of the Litigation Trust Assets in exchange for beneficial interests in the Litigation Trust. Accordingly, those holders of Allowed Claims receiving Litigation Trust Interests will be treated for federal income tax purposes as the grantors and owners of their respective shares of the Litigation Trust Assets. The foregoing treatment also will apply, to the extent permitted by applicable law, for state and local income tax purposes.

(ii) Tax Reporting

The Litigation Trustee will file returns for the Litigation Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and in accordance with Section 8.10(a)(ii) of the Plan. The Litigation Trustee also will annually send to each holder of a Litigation Trust Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction, or credit and will instruct all such holders to report such items on their federal income tax returns. The Litigation Trustee also will file (or cause to be filed) any other statements, returns, or disclosures relating to the Litigation Trust that are required by any governmental unit.

As soon as possible after the Effective Date, the Litigation Trustee will make the valuation of the Litigation Trust Assets prepared by the Litigation Trust Board under Section 8.6 in the Plan available from time to time, to the extent relevant, and such valuation will be used consistently by all parties (including, without limitation, the Debtors, the Reorganized Debtors, the Litigation Trustee, and the beneficiaries of the Litigation Trust) for all federal income tax purposes.

Allocations of Litigation Trust taxable income among the holders of the Litigation Trust Interests will be determined by reference to the manner in which an amount of Cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described in the Plan) if, immediately prior to such deemed distribution, the Litigation Trust had distributed all of its other assets (valued at their tax book value and other than assets attributable to the Litigation Trust Disputed Claims Reserve) to the holders of the Litigation Trust Interests, in each case up to the tax book value of the assets treated as contributed by such holders, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Litigation Trust. Similarly, taxable loss of the Litigation Trust will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Litigation Trust Assets. The tax book value of the

Litigation Trust Assets for this purpose will equal their fair market value on the Effective Date, adjusted in accordance with tax accounting principles prescribed by the Tax Code, and applicable tax regulations, and other applicable administrative and judicial authorities and pronouncements.

Subject to definitive guidance from the IRS, or a court of competent jurisdiction to the contrary (including the receipt by the Litigation Trustee of a private letter ruling if the Litigation Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Litigation Trustee), the Litigation Trustee will (a) timely elect to treat any Litigation Trust Assets allocable to, or retained on account of, Disputed Claims (the "Litigation Trust Disputed Claims Reserve") as a "disputed ownership fund" governed by Treasury Regulation section 1.468B-9, and (b) to the extent permitted by applicable law, report consistent with the foregoing for state and local income tax purposes. All parties (including the Debtors, the Litigation Trustee, and the holders of the Litigation Trust Interests) will report for tax purposes consistent with the foregoing.

The Litigation Trustee will be responsible for payments, out of the Litigation Trust Assets, of any taxes imposed on the Litigation Trust or its assets, including the Litigation Trust Disputed Claims Reserve. In the event, and to the extent, any Cash retained on account of Disputed Claims in the Litigation Trust Disputed Claims Reserve is insufficient to pay the portion of any such taxes attributable to the taxable income arising from the assets allocable to, or retained on account of, Disputed Claims, such taxes will be (i) reimbursed from any subsequent Cash amounts retained on account of Disputed Claims, or (ii) to the extent such Disputed Claims have subsequently been resolved, deducted from any amounts distributable by the Litigation Trustee as a result of the resolutions of such Disputed Claims.

The Litigation Trustee may request an expedited determination of taxes of the Litigation Trust and the Litigation Trust Disputed Claims Reserve under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Litigation Trust and the Litigation Trust Disputed Claims Reserve for all taxable periods through the dissolution of the Litigation Trust and the Litigation Trust Disputed Claims Reserve.

11. Trust Implementation

On the Effective Date, the Litigation Trust will be established and become effective for the benefit of the Litigation Trust Beneficiaries. The Litigation Trust Agreement will be included in the Plan Supplement and will contain provisions similar to those contained in trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Litigation Trust as a grantor trust for federal income tax purposes and be in form and substance satisfactory to the Creditors' Committee and the Requisite Prepetition Lenders. All parties (including the Debtors or the Reorganized Debtors, as the case may be, the Litigation Trustee, and the Litigation Trust Beneficiaries) will execute any documents or other instruments as necessary to cause title to the applicable assets to be transferred to the Litigation Trust.

12. Registry of Beneficial Interests

The Litigation Trustee will maintain a registry of the holders of Litigation Trust Interests. The Litigation Trust Interests may not be transferred or assigned, except by operation of law or by will or the laws of descent and distribution.

13. Termination

The Litigation Trust will terminate no later than the fifth (5th) anniversary of the Effective Date; provided, however, that, further one-year extensions of the term of the Litigation Trust can be obtained upon a finding by the Bankruptcy Court that the extension is necessary to facilitate or complete the liquidation of the Litigation Trust Assets, so long as the Bankruptcy Court approval is obtained within six (6) months before the expiration of the initial term of the Litigation Trust and each extended term. The aggregate of all such further one-year extensions will not exceed three (3) years, unless the Bankruptcy Court determines that extenuating circumstances, consistent with the purpose of the Litigation Trust, necessitate a further extension.

14. Net Litigation Trust Recovery

Notwithstanding anything contained in the Plan to the contrary, in the event that a defendant in a litigation action brought by the Litigation Trustee for and on behalf of the Litigation Trust (i) is required by a Final Order to make payment to the Litigation Trust (the "Judgment Amount") and (ii) is permitted by a Final Order to assert a right of setoff under sections 553, 555, 556, 559, 560, and 561 of the Bankruptcy Code or applicable non-bankruptcy law against the Judgment Amount (a "Valid Setoff"), (y) such defendant will be obligated to pay only the excess, if any, of the amount of the Judgment Amount over the Valid Setoff and (z) none of the Litigation Trust or the holders or beneficiaries of the Litigation Trust Interests will be entitled to assert a claim against the Debtors or the Reorganized Debtors with respect to the Valid Setoff.

G. Voting and Distributions

1. Voting of Claims

Each holder of an Allowed Claim in an impaired Class of Claims that is entitled to vote on the Plan pursuant to Article III in the Plan will be entitled to vote separately to accept or reject the Plan, as provided in the Disclosure Statement Order, or any other order or orders of the Bankruptcy Court.

2. Time and Manner of Distributions

Distributions under the Plan will be made as follows:

a. Initial Distributions of Cash

On or as soon as practicable after the Effective Date, the Disbursing Agent will distribute, or cause to be distributed to each holder of Allowed Other Priority Claims, Allowed Secured Tax Claims, ~~and~~ Allowed Other Secured Claims, Allowed Chaparral Pines Investors General Unsecured Claims, and Allowed Portland Group General Unsecured Claims, an amount equal to such Creditor's share, if any, of Cash to the extent contemplated pursuant to the Plan.

b. Subsequent Distributions of Cash

On the first (1st) Business Day that is after the close of two (2) full calendar quarters following the date of the initial Effective Date distributions and, thereafter, on each first (1st) Business Day following the close of two (2) full calendar quarters, the Disbursing Agent will distribute, or cause to be distributed, to each holder of Allowed DIP Claims, Allowed Other Priority Claims, Allowed Secured Tax Claims, ~~and~~ Allowed Other Secured Claims, Allowed Chaparral Pines Investors General Unsecured Claims, and Allowed Portland Group General Unsecured Claims, an amount equal to such Creditor's share, if any, of Cash to the extent contemplated pursuant to the Plan, until such time as there is no longer any potential Cash.

c. Distributions of Reorganized Equity Interests

Commencing on the Effective Date, the Disbursing Agent will commence distributions, or cause to be distributed, to each holder of Allowed Prepetition Lender Claims receiving Reorganized Equity Interests, the applicable Reorganized Equity Interests.

d. Distribution of Notes

Commencing on the Effective Date, the Disbursing Agent will commence distributions, or cause to be distributed, to each holder of Allowed Prepetition Lender Claims the Tranche B Notes or Tranche C Notes allocable to such holder.

e. Distributions of the Litigation Trust Interests

The Disbursing Agent will commence distributions, or cause to be distributed, to each holder of an Allowed Other General Unsecured Claim or Allowed Prepetition Lender Secured Claim, such Creditor's share, if any, of Litigation Trust Interests as determined pursuant to Article IV of the Plan, and semi-annually thereafter until such time as there are no longer any Litigation Trust Interests to distribute. All Litigation Trust Interests will be deemed to have been issued as of the Effective Date, whether or not held in reserve.

3. Timeliness of Payments

Any payments or distributions to be made pursuant to the Plan will be deemed to be made timely if made within thirty (30) days after the dates specified in the Plan.

4. Distribution Record Date

On the Distribution Record Date the claims register will be closed and any transfer of any Claim therein will be prohibited. The Disbursing Agent will be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the claims register as of the close of business on the Distribution Record Date.

5. Date of Distributions

In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but will be deemed to have been completed as of the required date.

6. Disbursing Agent

All distributions under the Plan will be made by the Reorganized Debtors as the Disbursing Agent or such other Entity designated by the Debtors as a Disbursing Agent. The Disbursing Agent will not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety will be borne by the Reorganized Debtors.

7. Rights and Powers of Disbursing Agent

The Disbursing Agent will be empowered to (a) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan, (b) make all distributions contemplated thereby, and (c) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions in the Plan.

8. Expenses of the Disbursing Agent

Except as otherwise ordered by the Bankruptcy Court, any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date will be paid in Cash by the Reorganized Debtors in the ordinary course of business.

9. Delivery of Distributions

a. General

Subject to Bankruptcy Rule 9010, all distributions to a holder of an Allowed Claim will be made at the address of the holder thereof as set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtors or their agents or in a letter of transmittal unless the Debtors have been notified in writing of a change of address, including, without limitation, by the filing of a proof of claim by such holder that contains an address for such holder different from the address reflected on such Schedules for such holder.

b. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, any party issuing any instrument or making any distribution under the Plan, including any party described in Section 9.6 of the Plan, will comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all distributions under the Plan will be subject to any such withholding or reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a distribution under the Plan will have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution. Any party issuing any instrument or making any distribution under the Plan has the right, but not the obligation, to not make a distribution until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

10. Unclaimed Distributions

In the event that any distribution to any holder is returned as undeliverable, the Reorganized Debtors will use reasonable efforts to determine the current address of such holder, but no distribution to such holder will be made unless and until the Reorganized Debtors have determined the then-current address of such holder, at which time such distribution will be made to such holder without interest from the original distribution date through the new distribution date; provided that such distributions will be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one (1) year from the Effective Date. After such date, all unclaimed property or interest in property (including any stock) will revert to the applicable Reorganized Debtors, and the Claim of any other Entity to such property or interest in property will be discharged and forever barred.

11. Manner of Payment

At the option of the Disbursing Agent, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements.

12. Fractional Shares

No fractional shares of Reorganized Equity Interests will be distributed under the Plan. When any distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of a number of shares of Reorganized Equity Interests that is not a whole number, the actual distribution of shares of Reorganized Equity Interests will be rounded as follows: (i) fractions of one-half (½) or greater will be rounded to the next higher whole number and (ii) fractions of less than one-half (½) will be rounded to the next lower whole number with no further payment or other distribution therefor. The total number of Reorganized Equity Interests to be distributed to holders of Allowed Claims will be adjusted as necessary to account for the rounding provided in this Section 9.12 of the Plan.

13. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a distribution hereunder consists of indebtedness and other amounts (such as accrued but unpaid interest thereon), such distribution will be allocated first to the principal amount of such Claim (as determined for U.S. federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of such Claim, to accrued but unpaid interest.

14. Minimum Cash Distributions

Notwithstanding anything set forth in the Plan to the contrary, no payment of Cash less than $50 will be made to any holder of an Allowed Claim unless a request therefor is made in writing to the Disbursing Agent.

15. Setoffs

Other than with respect to Claims of the Prepetition Lenders and the DIP Claims (as to which any and all rights of setoff or recoupment have been waived), the Debtors may, but will not be required to, set off against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution will be made) any Claims of any nature whatsoever that the Debtors may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder will constitute a waiver or release by the Debtors of any such Claim the Debtors may have against the holder of such Claim. The Debtors are unaware of any potential setoffs at this time.

16. Limited Recoveries

Notwithstanding anything to the contrary in the Plan, no holder of an Allowed Claim will receive in respect of such Claim any distribution of a value as of the Effective Date in excess of the Allowed amount of such Claim, and in the event that the sum of distributions from Class A Litigation Trust Interests would exceed one hundred percent (100%) of any holder's Allowed Claim, then any distribution from the Litigation Trust that would have been distributed to such holder in excess of such one hundred percent (100%) will be deemed redistributed to the Litigation Trust on behalf of other holders of Litigation Trust Interests, as their interests may appear, and accordingly, will be distributed in accordance with the provisions of the documents, instruments and agreements governing such Litigation Trust Interests and the Bankruptcy Code.

H. Provisions for the Treatment of Disputed Claims

1. Objections

Over 1600 proofs of claim have been filed in these chapter 11 cases. While the Debtors have begun the claims reconciliation process, due to the magnitude of the number of proofs of claim filed, the Debtors have not completed a review and analysis of all the Claims. Before the Voting Deadline, the Debtors may file objections to certain Claims on non-substantive grounds, including, but not limited to, duplicate, amended, filed in the wrong, or not timely filed. In addition, the Debtors reserve the right to object to any Claim on substantive

grounds before the Voting Deadline even if the holder of such Claim votes to accept or reject the proposed Plan.

~~Objections~~After the Effective Date, except for objections to Other General Unsecured Claims, objections to all Claims against the Debtors may be interposed and prosecuted only by the Debtors and the Reorganized Debtors. ~~The Reorganized Debtors will be entitled to object to any Claim through and after the Effective Date~~Objections to Other General Unsecured Claims may be interposed and prosecuted only by either the Debtors and Reorganized Debtors or the Litigation Trustee on behalf of the Litigation Trust. The Debtors and the Reorganized Debtors currently intend to defer to the Litigation Trustee regarding the allowance of Other General Unsecured Claims, except as to any such Other General Unsecured Claims which relate to environmental matters, assert rights which may run with the land, or otherwise affect the rights, obligations, or property of the Reorganized Debtors, notwithstanding the provisions of section 1141 of the Bankruptcy Code, including but not limited to the Claims related to the litigation listed on **Exhibit E** attached hereto. Except with respect to Administrative Expense Claims, any objections to Claims ~~will~~shall be served and filed with the Bankruptcy Court on or before the later of (i) ~~one hundred eighty (180~~ninety (90) days after the Effective Date, as such time may be extended by order of the Bankruptcy Court~~,~~ and (ii) such later date as may be fixed by the Bankruptcy Court, whether fixed before or after the date specified in clause (i) above.

2. No Payment Pending Allowance

Notwithstanding any other provision in the Plan, if any portion of a Claim is disputed, then no payment or distribution provided hereunder will be made on account of any portion of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

3. Distributions After Allowance

To the extent that a Disputed Claim becomes an Allowed Claim, the Disbursing Agent will distribute to the holder of such Claim, the property distributable with respect to such Claim in accordance with Article IV in the Plan. Such distributions will be made as soon as practicable after the later of (i) the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim (or portion thereof) becomes a Final Order, (ii) the date on which any objection to such Disputed Claim has been withdrawn, or (iii) the date on which such Disputed Claim has been settled, compromised or otherwise resolved. To the extent that all or a portion of a Disputed Claim is disallowed, the holder of such Claim will not receive any distribution on account of the portion of such Claim that is disallowed and any property withheld, if any, pending the resolution of such Claim will revest in the applicable Reorganized Debtor.

4. Resolution of Administrative Expense Claims and other Claims

On and after the Effective Date, the Reorganized Debtors will have the authority to compromise, settle, otherwise resolve, or withdraw any objections to Administrative Expense Claims and any other Claims and to compromise, settle, or otherwise resolve any Disputed

Claims without approval of the Bankruptcy Court, other than with respect to Administrative Expense Claims relating to compensation of professionals.

5. Estimation of Claims

Requests for estimation of all Claims against the Debtors may be interposed and prosecuted only by the Debtors and the Reorganized Debtors. The Debtors and the Reorganized Debtors may at any time request that the Bankruptcy Court estimate any Contingent Claim, Unliquidated Claim, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether any of the Debtors or the Reorganized Debtors previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Contingent Claim, Unliquidated Claim, or Disputed Claim, the amount so estimated will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtors or the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

6. No Interest Pending Allowance

Except as otherwise provided in the Plan, to the extent that a Disputed Claim becomes an Allowed Claim after the Effective Date, the holder of such Claim will not be entitled to any interest thereon from the Effective Date to the date such Claim becomes Allowed.

I. Executory Contracts and Unexpired Leases

1. Assumption or Rejection of Executory Contracts and Unexpired Leases

Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtors and any Person or Entity will be deemed ~~assumed~~rejected by the Debtors as of the Effective Date, except for any executory contract or unexpired lease (i) that has been assumed, assumed, and assigned, or rejected pursuant to an order of the Bankruptcy Court entered on or before the Effective Date, (ii) as to which a motion for approval of the assumption, assumption, and assignment, or rejection has been filed and served prior to the Confirmation Date, ~~or~~ (iii) that is an indemnification obligation described in Section 11.6 of the Plan, or (iv) that is specifically designated as a contract or lease to be ~~rejected~~assumed on Schedule 11.1 of the Plan, which Schedule will be contained in the Plan Supplement; *provided, however,* that the Debtors reserve the right, on or prior to the Confirmation Date, to amend Schedule 11.1 of the Plan to delete therefrom or add thereto any executory contract or unexpired lease, in which event such executory contract(s) or unexpired lease(s) will be deemed to be, respectively, either assumed or rejected as of the Effective Date. The Debtors will provide notice of any amendments to Schedule 11.1 of the Plan to the parties to

the executory contracts and unexpired leases affected thereby. The listing of a document on Schedule 11.1 of the Plan will not constitute an admission by the Debtors that such document is an executory contract or an unexpired lease or that the Debtors have any liability thereunder.

2. Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases

Entry of the Confirmation Order will, subject to and upon the occurrence of the Effective Date, constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed pursuant to Section 11.1 of the Plan, (ii) the extension of time, pursuant to section 365(d)(4) of the Bankruptcy Code, within which the Debtors may assume, assume and assign, or reject the executory contracts and unexpired leases specified in Section 11.1 of the Plan through the date of entry of an order approving the assumption, assumption and assignment, or rejection of such executory contracts and unexpired leases and (iii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 11.1 of the Plan.

3. Inclusiveness

Unless otherwise specified on Schedule 11.1 of the Plan, each executory contract and unexpired lease listed or to be listed on Schedule 11.1 of the Plan will include any and all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on Schedule 11.1 of the Plan.

4. Cure of Defaults

Except to the extent that different treatment has been agreed to by the non-debtor party or parties to any executory contract or unexpired lease to be assumed pursuant to Section 11.1 of the Plan, the Debtors will, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, at least 20 days prior to the Confirmation Hearing, file with the Bankruptcy Court and serve by first class mail on each non-debtor party to such executory contracts or unexpired leases, to be assumed pursuant to Section 11.1 of the Plan, a notice (the "Assumption Notice"), which will list the cure amount as to each executory contract or unexpired lease to be assumed. The parties to such executory contracts or unexpired leases to be assumed or assumed and assigned by the Debtors will have twenty (20) days from the date of service of the Assumption Notice to file and serve any objection to the cure amounts listed by the Debtors. If there are any objections filed, the Bankruptcy Court will hold a hearing on a date to be set by the Bankruptcy Court. Notwithstanding Section 11.1 of the Plan, the Debtors will retain their rights to reject any of their executory contracts or unexpired leases that are subject to a dispute concerning amounts necessary to cure any defaults through the Effective Date.

5. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan

In the event that the rejection of an executory contract or unexpired lease by the Debtors pursuant to the Plan results in damages to the other party or parties to such contract or lease, a Claim for such damages, if not heretofore evidenced by a timely filed proof of claim, will be forever barred and will not be enforceable against the Debtors or the Reorganized Debtors, or their properties or interests in property as agents, successors, or assigns, unless a proof of claim is filed with The Garden City Group, Inc. and served upon the attorneys for the Debtors on or before the thirtieth (30th) day after the later of (i) the date of service of notice of the Confirmation Date, (ii) notice of modification to Schedule 11.1 (solely with respect to the party directly affected by such modification), or (iii) the date of service of notice of such later rejection date that occurs as a result of a dispute concerning amounts necessary to cure any defaults (solely with respect to the party directly affected by such modification).

6. Indemnification Obligations

Subject to the occurrence of the Effective Date, the obligations of the Debtors as of the Commencement Date to indemnify, defend, reimburse, or limit the liability of managers, officers, or employees who are managers, officers, or employees of the Debtors on ~~or before~~ the Confirmation Date, against any claims or causes of action, as provided in the Debtors' limited liability company agreement, limited partnership agreement, operating agreement, bylaws, certificate of incorporation, articles of incorporation, certificate of formation, articles of organization or other similar governing documents or applicable law, will survive confirmation of the Plan, remain unaffected thereby and not be discharged, irrespective of whether such indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before or after the Commencement Date. All employment agreements not specifically assumed pursuant to Section 11.1 hereof shall be deemed rejected by the Debtors as of the Effective Date. Certain indemnification obligations to managers and officers arise out of the Second Amended and Restated Limited Liability Company Agreement of Crescent Holdings, LLC.

7. Insurance Policies

Notwithstanding anything contained in the Plan to the contrary, unless specifically rejected by order of the Bankruptcy Court, all of the Debtors' insurance policies and any agreements, documents or instruments relating thereto, are treated as executory contracts under the Plan and will be assumed pursuant to the Plan, effective as of the Effective Date. Nothing contained in Section 11.7 of the Plan will constitute or be deemed a waiver of any cause of action that the Debtors may hold against any entity, including, without limitation, the insurer, under any of the Debtors' insurance policies. The Debtors, through their broker Wells Fargo Insurance Services, purchase and maintain the following types of insurance coverage: auto, builders' risk, boiler and machinery, crime, director and officer, environmental, flood, general liability, herb and pest, marine, property, wind and hail, worker's compensation and other miscellaneous coverage.

To the extent the insurance policies are determined not to be executory contracts, they will remain in full force and effect in accordance with their terms and will be treated as unimpaired (as defined in section 1124 of the Bankruptcy Code), including without limitation for purposes of payment of Claims for retrospective premiums, deductibles, and self-insurance retentions.

The Debtors and the Reorganized Debtors will perform the obligations under the insurance policies, whether they are treated as executory or non-executory. The Plan will not, and is not intended to, modify any of the rights or obligations of insurers or the Debtors under any of the insurance policies. Notwithstanding any other provision of the Plan, and anything supervening or preemptory, the Debtors and Reorganized Debtors will be, and intend to remain, bound by all of the terms, conditions, limitations and/or exclusions contained in the insurance policies, which will continue in full force and effect. Notwithstanding anything contained in the Plan or the Disclosure Statement to the contrary, to the extent that there is an inconsistency between the insurance policies and any provision of the Plan or Disclosure Statement, the terms of the insurance policies will control. No provision of the Plan will (i) expand or alter any insurance coverage under any of the insurance policies, or will be deemed to create any insurance coverage that does not otherwise exist, if at all, under the terms of the insurance policies, (ii) create any direct right of action against insurers that did not otherwise exist, and/or (iii) be construed as an acknowledgment either that the insurance policies cover or otherwise apply to any Claims or that any Claims are eligible for payment under any of the insurance policies.

Notwithstanding any provision of the Plan, and anything supervening or preemptory, the Plan and Confirmation of the Plan will be without prejudice to any of insurers' rights, claims and/or defenses in any subsequent litigation in any appropriate forum in which coverage is at issue, including any litigation in which insurers seek a declaration regarding the nature and/or extent of any insurance coverage under the insurance policies.

8. Compensation and Benefit Programs

Notwithstanding anything contained in the Plan to the contrary, unless specifically assumed by order of the Bankruptcy Court or in accordance with Article XI of the Plan, all employment and severance policies and agreements, workers' compensation programs, and all compensation and benefit plans, policies and programs of the Debtors applicable to their present and former employees, officers, directors and managers will be deemed to be, and will be treated as though they are, executory contracts that are deemed rejected under the Plan, and the Debtors' obligations under such plans, policies, and programs will be deemed rejected pursuant to section 365(a) of the Bankruptcy Code.

Those employment and severance policies and agreements, workers' compensation programs, and all compensation and benefit plans, policies and programs listed on Schedule 11.8 to the Plan will be deemed to be, and will be treated as though they are, executory contracts that are deemed assumed under the Plan, and the Debtors' obligations under such plans, policies, and programs will be deemed assumed pursuant to section 365(a) of the Bankruptcy Code, will survive confirmation of the Plan, will remain unaffected thereby, and will not be discharged in accordance with section 1141 of the Bankruptcy Code.

9. Retiree Benefits

The Debtors do not believe that they have any retiree benefits; however, to the extent that they do have retiree benefits they will be continued in accordance with the following:

On and after the Effective Date, pursuant to section 1129(a)(13) of the Bankruptcy Code, the Reorganized Debtors will continue to pay all retiree benefits, if any, of the Debtors (within the meaning of and subject to section 1114 of the Bankruptcy Code) for the duration of the period for which the Debtors had obligated themselves to provide such benefits and subject to the right of the Reorganized Debtors to modify or terminate such retiree benefits in accordance with the terms thereof.

10. Customer Programs

Notwithstanding anything contained in the Plan to the contrary, subject to the occurrence of the Effective Date, the Debtors and Reorganized Debtors shall perform all obligations and honor the rights (monetary or otherwise) of those persons party to the Customer Programs listed on Schedule 11.10, which Schedule shall be contained in the Plan Supplement; *provided*, *however*, that the Debtors reserve the right, on or prior to the Confirmation Date, to amend Schedule 11.10 to delete therefrom or add thereto any Customer Program, in which event, such Customer Program shall be deemed to be, respectively, either included or excluded as of the Effective Date. The Debtors shall provide notice of any amendments to Schedule 11.10 to the parties to the Customer Programs affected thereby.

Those Customer Programs listed on Schedule 11.10 and any agreements, documents or instruments relating thereto, are treated as executory contracts under the Plan and shall be assumed pursuant to the Plan effective as of the Effective Date, shall survive confirmation of the Plan, shall remain unaffected thereby and shall not be discharged in accordance with section 1141 of the Bankruptcy Code. To the extent any Customer Program is determined not to be an executory contract, it shall remain in full force and effect in accordance with its terms and shall be treated as unimpaired (as defined in section 1124 of the Bankruptcy Code). No provision of the Plan shall expand or alter any rights or obligations under any of the Customer Programs, or shall be deemed to create any rights or obligations that do not otherwise exist, if at all, under the terms of the Customer Programs. Likewise, neither assumption of the Customer Program nor any provision of this Plan shall restrict, alter or otherwise modify the Debtors' or Reorganized Debtors' rights to modify the rights and obligations relating to the Customer Programs pre- or post-confirmation in accordance with the terms of such Customer Program.

J. Corporate Governance and Management of the Reorganized Debtors

1. General

a. Corporate Governance

Crescent Investment will be formed as a Delaware limited liability company and will elect to be taxed as a corporation. Crescent Investment will be governed by the Crescent Investment Certificate of Formation and the Crescent Investment Operating Agreement.

Reorganized Crescent Holdings will continue to be organized as a Delaware limited liability company and will continue to elect to be taxed as a partnership. Reorganized Crescent Holdings and Reorganized Crescent Resources will be governed by the Amended Crescent Holdings Operating Agreement and Amended Crescent Resources Operating Agreement, respectively, that will be entered into on the Effective Date.

b. Management

Crescent Investment's percentage equity interest in Reorganized Crescent Holdings, represented by Reorganized Holdings ~~Series A~~ Units, will ~~depend on~~equal 100%, less the ~~number~~total percentage of Reorganized Holdings ~~Series B~~ Units which are directly held by Electing Holders (and their transferees) or issued, ~~and by subsequent changes made~~ from time to time ~~in the number of Crescent Investment Units that are outstanding~~, pursuant to the Management Incentive Plan. Each Reorganized Holdings ~~Series A Unit and Series B~~ Unit will have an equal economic value and will have the same voting rights. Reorganized Crescent Holdings will be managed by a seven person board of managers, consisting of: (i) the Chief Executive Officer of Reorganized Holdings Units, and (ii) additional individuals selected by those direct and indirect holders of Reorganized Holdings Units in aggregate holding certain percentages of Reorganized Crescent Holdings when determined on a look-through basis, as shall be provided in the Amended Crescent Holdings Operating Agreement. Crescent Investment will be managed by ~~its board of directors, as will be more fully described in the~~Reorganized Crescent Holdings, as its sole manager. The Crescent Investment Operating Agreement~~. Reorganized Crescent Holdings will be managed by the board of directors, subject to certain minority protections for the Reorganized Holdings Series B Unit holders, if applicable~~ and Amended Crescent Holdings Operating Agreement will also provide for transfer restrictions and certain other rights and obligations of equity holders.

2. Operations Between Confirmation Date and Effective Date

The Debtors will continue to operate as debtors-in-possession during the period from the Confirmation Date through the Effective Date.

3. Reorganized Equity Interests

a. Crescent Investment Units

Holders of Allowed Prepetition Lender Claims receiving Reorganized Equity Interests, after taking into account the Capital Consideration Allocations, will receive Crescent Investment Units, unless they specifically elect on their ballot to receive Reorganized Holdings ~~Series B~~ Units. On the Effective Date, each unit of Reorganized Equity Interests will equal one dollar ($1.00), and the total number of Reorganized Equity Interests to be issued on the Effective Date will be calculated using the Midpoint Equity Value, which~~, for the avoidance of doubt,~~ will be ~~calculated without taking~~adjusted to take into account ~~the Capital Consideration Allocations~~any reallocation pursuant to Section 7.6(d) of the Plan.

b. Rights and Interests of Reorganized Equity Interests

Crescent Investment ~~Units will have both an economic and voting interest in~~'s sole business purpose will be to hold Reorganized Holdings Units, except as otherwise provided in the Crescent Investment Operating Agreement. Crescent Investment will hold Reorganized Holdings ~~Series A~~ Units representing an economic percentage interest in Reorganized Crescent Holdings equal to 100%, less the total percentage~~, from time to time, that the Crescent Investment Units represent of the total~~ of Reorganized Holdings Units which are directly held by Electing Holders (and their transferees) or issued, from time to time, pursuant to the Management Incentive Plan. Reorganized Holdings ~~Series B Units will have a direct economic interest in Reorganized Crescent Holdings. Reorganized Holdings Series A Units and Series B Units will vote together as a class, subject to certain Series B Units minority protections, if applicable.~~Units not held by Crescent Investment will be exchangeable by their holders at any time for Crescent Investment Units on a one-for-one basis subject to such restrictions as the board of managers of Reorganized Crescent Holdings ~~Series B Units may be converted, at any time, to Crescent Investment Units, on a one-for-one basis, by tendering Reorganized Holdings Series B Units. Each of Crescent Investment and Reorganized Crescent Holdings will be managed by their respective boards of directors. The terms, rights and designations~~ may deem necessary or appropriate to protect the status of Reorganized Crescent Holdings as a partnership for federal income tax purposes. The terms and rights of the Reorganized Equity Interests will be more fully described in the Crescent Investment Operating Agreement and Amended Crescent Holdings Operating Agreement to be included as exhibits to the Plan Supplement.

4. ~~Directors~~Managers and Officers of Crescent Investment and the Reorganized Debtors

a. Board of ~~Directors of Crescent Investment~~

~~The board of directors of Crescent Investment will be appointed by the holders of the Crescent Investment Units on the Effective Date. The identity of the Persons who will serve as members of the board of directors of Crescent Investment will be disclosed in the Plan Supplement if known by the date the Plan Supplement is filed.~~

~~b. Board of Directors~~Managers of Reorganized Holdings

The board of ~~directors~~managers of Reorganized Crescent Holdings will consist of seven (7) ~~directors. Six (6) of the directors will be appointed by the holders of the Reorganized Holdings Units on the Effective Date, and one (1) director will be the then~~managers: (i) the Chief Executive Officer of Reorganized Crescent Holdings and (ii) additional individuals selected by those direct and indirect holders of Reorganized Holdings Units in aggregate holding certain percentages of Reorganized Holdings Units when determined on a look-through basis, as shall be provided in the Amended Crescent Holdings Operating Agreement. The identity of the Persons who will serve as members of the board of ~~directors~~managers will be disclosed in the Plan Supplement if known by the date the Plan Supplement is filed. Reorganized Crescent Holdings will obtain and maintain the appropriate and necessary ~~director~~manager and officer insurance with coverage and terms reasonably acceptable to ~~the boards~~its board of ~~directors~~managers. The members of the board of ~~directors~~managers will be indemnified ~~by Reorganized Holdings~~ to the fullest extent allowed under law.

b. Manager of Crescent Investment

Reorganized Crescent Holdings will serve as the sole manager of Crescent Investment.

c. Officers

Except for the Chief Executive Officer of Reorganized Crescent Holdings, the officers of ~~Crescent Investment and~~ the Debtors immediately prior to the Effective Date will serve as the initial officers of ~~Crescent Investment and~~ the Reorganized Debtors on and after the Effective Date. Such officers will serve in accordance with applicable non-bankruptcy law, any employment agreement, and the governing documents of ~~Crescent Investment and~~ the Reorganized Debtors, as the same may be amended from time to time. The identity of the Person who will serve as Chief Executive Officer of Reorganized Crescent Holdings will be disclosed in the Plan Supplement if known by the date the Plan Supplement is filed.

5. Issuance of Non-Voting Units

On or prior to the Effective Date, Crescent Investment and the Reorganized Debtors, as applicable, will file amended organizational documents, which will, among other things, prohibit the issuance of non-voting equity securities to the extent prohibited by section 1123(a)(6) of the Bankruptcy Code, subject to further amendment as permitted by applicable law.

6. Management Incentive Plan

Reorganized Crescent Holdings will, ~~on~~after the Effective Date, adopt the Management Incentive Plan for certain ~~of~~ employees of the Reorganized Debtors and their subsidiaries and affiliates, ~~and the members of the board of directors,~~ pursuant to which such employees ~~and members of the board of directors~~ will be eligible to receive Management ~~Units~~Equity Interests. The terms of the Management Incentive Plan will be ~~contained in the Plan Supplement~~as approved by the board of managers of Reorganized Crescent Holdings after the Effective Date and in accordance with the terms of the Amended Crescent Holdings Operating Agreement.

K. Conditions Precedent to the Effective Date of the Plan

1. Conditions Precedent to Effectiveness

The Effective Date will not occur and the Plan will not become effective unless and until the following conditions are satisfied in full or waived in accordance with Section 13.2 of the Plan:

a. The Confirmation Order, in form and substance acceptable to the Debtors and the Requisite Prepetition Lenders, will have been entered and will not be subject to any stay or injunction;

b. All actions, documents, and agreements necessary to implement the Plan will have been effected or executed;

c. The conditions precedent to the effectiveness of the Exit Facility will have been satisfied or waived by the parties thereto and the Reorganized Debtors will have access to funding under the Exit Facility;

d. The conditions precedent to the effectiveness of the Second Lien Facility will have been satisfied or waived by the Requisite Prepetition Lenders;

e. ~~***d.***~~ The Debtors will have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents that are determined by the Debtors to be necessary to implement the Plan or that are required by law, regulation, or order. At this time, the Debtors have not identified anything that is necessary in this regard; and

f. ~~***e.***~~ The Litigation Trust Agreement will have been executed and all steps necessary to establish the Litigation Trust in accordance with and pursuant to the terms of the Plan will have occurred.

2. Waiver of Conditions

Each of the conditions precedent in Section 13.1(b) through (~~e~~f) of the Plan and hereof may be waived in whole or in part by the Debtors in their sole discretion; except for (x) Section 13.1(c) of the Plan which may be waived only with the consent of the Creditors' Committee and the Requisite Prepetition Lenders and (y) Section 13.1(d) of the Plan which may be waived only with the consent of the Requisite Prepetition Lenders. Any such waiver may be effected at any time, without notice or leave or order of the Bankruptcy Court and without any formal action.

3. Effect of Failure of Conditions to Effective Date

In the event the conditions precedent specified in Section 13.1 of the Plan have not been satisfied or waived pursuant to Section 13.2 of the Plan on or prior to the maturity date of the DIP Credit Agreement, then, upon the Debtors' motion (i) the Confirmation Order will be vacated, (ii) no distributions under the Plan will be made, (iii) the Debtors and all holders of Claims and Equity Interests will be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred, and (iv) all of the Debtors' obligations with respect to the Claims and Equity Interests will remain unchanged and nothing contained in the Plan will be deemed to constitute a waiver or release of any claims by or against the Debtors or any other Entity or to prejudice in any manner the rights of the Debtors or any other Entity in any further proceedings involving the Debtors. For the avoidance of doubt, and notwithstanding anything in the Disclosure Statement or the Plan to the contrary if the Plan is not confirmed or does not become effective, nothing in the Plan or Disclosure Statement will be construed as a waiver of any rights or Claims of the Debtors, the Prepetition Lenders or the Creditors' Committee.

L. Effects of Confirmation

1. Discharge of Claims and Termination of Equity Interests

Except as provided in the Plan, the rights afforded in and the payments and distributions to be made under the Plan will be in exchange for and in complete satisfaction, discharge, release, termination, and cancellation of all existing debts, Claims and Equity Interests of any kind, nature, or description whatsoever, including any interest accrued on any Claims from and after the Commencement Date, against the Debtors or any of their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as provided in the Plan, upon the Effective Date, all existing Claims against and Equity Interests in the Debtors will be, and will be deemed to be, discharged, terminated, and cancelled, as applicable, and all holders of Claims and Equity Interests will be precluded and enjoined from asserting against the Reorganized Debtors, their successors or assignees, or any of their assets or properties, any other or further Claim based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a proof of Claim, and whether or not the facts or legal bases therefor were known or existed prior to the Effective Date.

2. Discharge of Debtors

Upon the Effective Date and in consideration of the distributions to be made under the Plan, except as otherwise expressly provided in the Plan, each holder (as well as any trustee or agent on behalf of any holder) of a Claim or Equity Interest will be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Equity Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such Persons will be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such Claim against or Equity Interest in the Debtors, their estates, or any successor thereto, included, but not limited to the Reorganized Debtors and the Litigation Trust.

3. Injunction or Stay

Except as otherwise expressly provided in the Plan, all Persons or entities who have held, hold or may hold Claims or Equity Interests and all other parties in interest, along with their respective present or former employees, agents, officers, directors, managers, and principals (in their capacities as such) are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim against or Equity Interest in the Debtors or the Reorganized Debtors, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtors or Reorganized Debtors, (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors or Reorganized Debtors or against the property or interests in property of the Debtors or Reorganized Debtors, (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due to the Debtors or the Reorganized Debtors or against the property or interests in property of the Debtors or the Reorganized Debtors, with respect to any such Claim or Equity Interest, or (v) pursuing any Claim released pursuant to Article XIV of the Plan. Such injunction will extend to

any successors of the Debtors and the Reorganized Debtors and their respective properties and interest in properties.

4. Term of Injunctions or Stays

Unless otherwise provided, all injunctions or stays arising under or entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, will remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.

5. Injunction Against Interference With Plan

Upon the entry of the Confirmation Order, all holders of Claims or Equity Interests and other parties in interest, along with their respective present or former employees, agents, officers, directors, managers, principals and affiliates will be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

6. Exculpation

None of the Debtors, the Reorganized Debtors, the Creditors' Committee, the Prepetition ~~Lenders~~Lender Excluded Parties, DIP Lenders, and their respective directors, managers, officers, employees, partners, members, agents, representatives, accountants, financial advisors, investment bankers, or attorneys (but solely in their capacities as such) will have or incur any liability for any claim, cause of action or other assertion of liability for any act taken or omitted to be taken since the Commencement Date in connection with, or arising out of, the Chapter 11 Cases, the formulation, dissemination, confirmation, consummation, or administration of the Plan, property to be distributed under the Plan, or any other act or omission in connection with the Chapter 11 Cases, the Plan, the Disclosure Statement or any contract, instrument, document or other agreement related thereto; *provided*, *however*, that the foregoing will not affect the liability of any Person that would otherwise result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted willful misconduct, gross negligence, actual fraud, or criminal conduct, intentional unauthorized misuse of confidential information that causes damages.

7. Releases by Holders of Claims and Equity Interests

Effective as of the Confirmation Date, but subject to the occurrence of the Effective Date, and in consideration of the services provided to the Debtors by (a) the present and former directors, managers, officers, employees, affiliates, agents, financial advisors, attorneys, and representatives of the Debtors who acted in such capacities after the Commencement Date, (b) the Prepetition ~~Lenders~~Lender Excluded Parties, and (c) the DIP Lenders, (1) each holder of a Claim or Equity Interest that (x) votes to accept the Plan (or is deemed to accept the Plan) or (y) does not vote to accept the Plan (and is not deemed to have accepted the Plan), but does not elect to "opt-out", and (2) to the fullest extent permissible under applicable law, as such law may be extended or integrated after the Effective Date, each holder of a Claim or Equity Interest that does not vote to accept the Plan and that does not elect to "opt-out", (collectively, the "Releasing Parties" and each a

"Releasing Party") will release, unconditionally and forever, (a) the Debtors, (b) ~~the~~future owner's of the Debtors' property, (c) Prepetition ~~Lenders~~Lender Excluded Parties, and (~~c~~d) the DIP Lenders, and each of their respective present and former members, officers, directors, managers, agents, financial advisors, attorneys, employees, equity holders, parent corporations, subsidiaries, partners, affiliates, and representatives from any and all claims or causes of action that exist as of the Effective Date and arise from or relate to, in any manner, in whole or in part, the operation of the business of the Debtors, the subject matter of, or the transaction or event giving rise to, the Claim or Equity Interest of such holder, the business or contractual arrangements between any Debtor and such holder, any restructuring of such claim or equity prior to the Commencement Date, or any act, omission, occurrence, or event in any manner related to such subject matter, transaction or obligation, or occurring or existing on property owned by the Debtors, or arising out of the Chapter 11 Cases, including, but not limited to, the pursuit of confirmation of the Plan, the consummation thereof, the administration thereof, or the property to be distributed thereunder; *provided*, that the foregoing will not operate as a waiver of or release from any causes of action arising out of the willful misconduct, gross negligence, actual fraud, criminal conduct, or intentional unauthorized misuse of confidential information that causes damages of any such Person or Entity. For the avoidance of doubt, each Releasing Party will release unconditionally and forever each of the Litigation Trust Excluded Parties from any and all Avoidance Actions and 2006 Transaction Causes of Action.

8. Releases of the Debtors and the Creditors' Committee

Effective as of the Confirmation Date, but subject to the occurrence of the Effective Date, (a) the Debtors and the Reorganized Debtors and (b) the Creditors' Committee and its members (in their capacity as such), each will be released, unconditionally and forever, from any and all claims or causes of action that exist as of the Effective Date and arise from or relate to, in any manner, in whole or in part, the operation of the business of the Debtors, the subject matter of, or the transaction or event giving rise to, the Claim or Equity Interest of such holder, the business or contractual arrangements between any Debtor and such holder, any restructuring of such claim or equity prior to the Commencement Date, or any act, omission, occurrence, or event in any manner related to such subject matter, transaction or obligation, or arising out of the Chapter 11 Cases, including, but not limited to, the pursuit of confirmation of the Plan, the consummation thereof, the administration thereof, or the property to be distributed thereunder; *provided*, that the foregoing will not operate as a waiver of or release from any causes of action arising out of the willful misconduct, gross negligence, fraud, criminal conduct, or intentional unauthorized misuse of confidential information that causes damages of any such Person or Entity.

9. Releases by the Debtors and Reorganized Debtors

Effective as of the Confirmation Date but subject to the occurrence of the Effective Date, and in consideration of the services provided to the Debtors by (a) the present and former directors, managers, officers, employees, affiliates, agents, financial advisors, investment bankers, attorneys, and representatives of the Debtors, (b) the Creditors' Committee and its members, (c) the Prepetition ~~Lenders~~Lender Excluded

Parties, and (d) the DIP Lenders, each Debtor and Reorganized Debtor will release unconditionally and forever each of (a) the Debtors, (b) the Creditors' Committee and its members (in their capacity as such), (c) the Prepetition ~~Lenders~~Lender Excluded Parties, and (d)~~,~~ the DIP Lenders, and each of their respective present and former directors, managers, officers, employees, affiliates, agents, financial advisors, investment bankers, attorneys, and representatives from any and all claims or causes of action that exist as of the Effective Date and arise from or relate to, in any manner, in whole or in part, the operation of the business of the Debtors, the business or contractual arrangements between any Debtor and any such Person or Entity, or any act, omission, occurrence, or event in any manner related to such subject matter, transaction or obligation, or arising out of the Chapter 11 Cases, including, but not limited to, the pursuit of confirmation of the Plan, the consummation thereof, the administration thereof, or the property to be distributed *thereunder; provided*, that the foregoing will not operate as a waiver of or release from any causes of action arising out of the willful misconduct, gross negligence, fraud, criminal conduct, or intentional unauthorized misuse of confidential information that causes damages of any such Person or Entity. For the avoidance of doubt, each Debtor and Reorganized Debtor will release unconditionally and forever each of the Litigation Trust Excluded Parties from any and all Avoidance Actions and 2006 Transaction Causes of Action.

10. Releases by the Creditors' Committee

Effective as of the Confirmation Date but subject to the occurrence of the Effective Date, and in consideration of the services provided to the Debtors by (a) the present and former directors, managers, officers, employees, agents, financial advisors, investment bankers, attorneys, and representatives of the Debtors, (b) the Debtors and the Reorganized Debtors, (c) the Prepetition ~~Lenders~~Lender Excluded Parties, and (d) the DIP Lenders, the Creditors' Committee and its members will release unconditionally and forever each of (a) the Debtors and the Reorganized Debtors, (b) the Prepetition ~~Lenders~~Lender Excluded Parties, and (c) the DIP Lenders, and each of their respective present and former directors, managers, officers, employees, agents, financial advisors, investment bankers, attorneys, and representatives from any and all claims or causes of action that exist as of the Effective Date and arise from or relate to, in any manner, in whole or in part, the operation of the business of the Debtors, the business or contractual arrangements between any Debtor and any such person or entity, or any act, omission, occurrence, or event in any manner related to such subject matter, transaction or obligation, or arising out of the Chapter 11 Cases, including, but not limited to, the pursuit of confirmation of the Plan, the consummation thereof, the administration thereof, or the property to be distributed thereunder; *provided*, that the foregoing will not operate as a waiver of or release from any causes of action arising out of the willful misconduct, gross negligence, actual fraud, criminal conduct, or intentional unauthorized misuse of confidential information that causes damages of any such Person or Entity or for any obligations under the Plan. For the avoidance of doubt, the Creditors' Committee and its members will release unconditionally and forever each of the Litigation Trust Excluded Parties from any and all Avoidance Actions and 2006 Transaction Causes of Action.

11. Releases by the Lenders and Agents Under the Prepetition Credit Agreement and DIP Credit Agreement.

Effective as of the Confirmation Date but subject to the occurrence of the Effective Date, and in consideration of the services provided to the Debtors by (a) the present and former directors, managers, officers, employees, agents, financial advisors, investment bankers, attorneys, and representatives of the Debtors, (b) the Debtors and the Reorganized Debtors, and (c) the Creditors' Committee, (1) the Prepetition ~~Lenders~~Lender Excluded Parties, in their capacities as such, and (2) the DIP Lenders, in their capacities as such, and each of their present and former directors, managers, officers, employees, affiliates, agents, financial advisors, investment bankers, attorneys, and representatives will release unconditionally and forever each of (a) the Debtors and the Reorganized Debtors, and (b) the Creditors' Committee, and each of their present and former directors, managers, officers, employees, agents, financial advisors, investment bankers, attorneys, and representatives, from any and all claims or causes of action that exist as of the Effective Date and arise from or relate to, in any manner, in whole or in part, the operation of the business of the Debtors, the business or contractual arrangements between any Debtor and any such Person or Entity, or any act, omission, occurrence, or event in any manner related to such subject matter, transaction or obligation, or arising out of the Chapter 11 Cases, including, but not limited to, the pursuit of confirmation of the Plan, the consummation thereof, the administration thereof, or the property to be distributed thereunder; *provided*, that the foregoing will not operate as a waiver of or release from any causes of action arising out of the willful misconduct, gross negligence, fraud, criminal conduct, or intentional unauthorized misuse of confidential information that causes damages of any such Person or Entity or for any obligations under the Plan.

12. 2006 Transaction Causes of Action Not Subject to Discharge, Exculpations or Releases

Notwithstanding Sections 14.1 through 14.11 of the Plan, the Litigation Trust Assets, including the 2006 Transaction Causes of Action will not be subject to or affected by the discharges, exculpations and releases set forth in Sections 14.1 through 14.11 of the Plan, *except* with respect to the Litigation Trust Excluded Parties, who for the avoidance of doubt, will receive releases of the Avoidance Actions and the 2006 Transaction Causes of Action as set forth in Sections 14.1 through 14.11 of the Plan.

13. ~~12.~~ Limitations on Exculpation and Releases of Representatives

Nothing in Sections 14.6, 14.7, 14.9 or 14.12 of the Plan will (i) be construed to release or exculpate any Entity from actual fraud, malpractice, criminal conduct, or intentional unauthorized misuse of confidential information that causes damages, or (ii) limit the liability of the professionals of the Debtors, the Reorganized Debtors, or the Creditors' Committee to their respective clients pursuant to the relevant provisions of the Code of Professional Responsibility.

14. ~~13. Retention of Causes of Action/~~Reservation of Rights

~~In accordance with section 1123(b) of the Bankruptcy Code, subject to the provisions of Sections 14.6, 14.7, 14.9, or 14.12 of the Plan, (a) the Reorganized Debtors will retain and may enforce all rights to commence and pursue, as appropriate, any and all Retained Causes of Action, and (b) the Litigation Trust may enforce all rights to commence and pursue, as appropriate, any and all Litigation Trust Claims, and~~

Except as provided in Section 14.9 of the Plan, nothing contained in the Plan or the Confirmation Order will be deemed to be a waiver or relinquishment of any claim, cause of action, right of setoff, or other legal or equitable defense that the Debtors had immediately prior to the Commencement Date, against or with respect to any Claim. The Reorganized Debtors and the Litigation Trustee, as applicable, will have, retain, reserve, and be entitled to assert all such claims, causes of action, rights of setoff, and other legal or equitable defenses that the Debtors had immediately prior to the Commencement Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Reorganized Debtors' ~~rights to commence, prosecute, or settle their Retained Causes of Action will be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue their Retained Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors, or the Litigation Trustee, as applicable, will not pursue any and all available Causes of Action against them. The Reorganized Debtors expressly reserve all rights to prosecute any and all Retained Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Debtors, or the Litigation Trustee, as the case may be, expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, will apply to such Causes of Action upon, after, or as a consequence of the Confirmation Order. The Reorganized Debtors reserve and will retain the Retained Causes of Action notwithstanding the rejection of any executory contract or unexpired lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity will vest in the Reorganized Debtors or the Litigation Trustee, as the case may be. As of the Effective Date, the Reorganized Debtors will have assigned the Litigation Trust Claims to the Litigation Trust. The Reorganized Debtors will have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any Retained Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.~~legal and equitable rights respecting any Claim may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Cases had not been commenced.

15. ~~14.~~ Survival of Certain Obligations

Notwithstanding any other term or provision of Article XIV of the Plan, the confirmation of the Plan will not operate to discharge, release, modify or otherwise affect (i) any reimbursement or other obligations of any of the Prepetition Lenders to the L/C Issuer (as such term is defined in the Prepetition Credit Agreement) under the Prepetition Credit Agreement or

any documents related thereto, (ii) any indemnity or other obligations of the Prepetition Lenders to the Administrative Agent (as such term is defined under the Prepetition Credit Agreement) under the Prepetition Credit Agreement or any documents related thereto, (iii) any reimbursement or other obligations of any of the DIP Lenders to the L/C Issuer (as such term is defined in the DIP Credit Agreement) under the DIP Credit Agreement or any documents related thereto, (iv) any indemnity or other obligations of any of the DIP Lenders to the Administrative Agent or any Co-Agent (as each term is defined in the DIP Credit Agreement), or (v) any rights or obligations of holders of Claims as against other holders of Claims under any agreements, instruments, or certificates.

M. Retention of Jurisdiction

On and after the Effective Date, the Bankruptcy Court will have exclusive jurisdiction over all matters arising out of, arising under, and related to the Chapter 11 Cases and the Plan pursuant to, and for the purpose of, sections 105(a) and 1142 of the Bankruptcy Code, including, without limitation:

a. To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases, the allowance of Claims resulting therefrom and any disputes with respect to executory contracts or unexpired leases relating to the facts and circumstances arising out of or relating to the Chapter 11 Cases;

b. To determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date;

c. To ensure that distributions to holders of Allowed Claims and Equity Interests are accomplished as provided in the Plan;

d. To consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim, Administrative Expense Claim, or Equity Interest;

e. To enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is stayed, reversed, revoked, modified, or vacated for any reason;

f. To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to prevent interference by any Person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

g. To hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the

Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

h. To hear and determine all applications under sections 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date;

i. To consider any amendments to or modifications of the Plan or to cure any defect or omission, or reconcile any inconsistency, in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

j. To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated hereby or thereby, or any agreement, instrument, or other document governing or relating to any of the foregoing;

k. To take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan or to maintain the integrity of the Plan following the Effective Date;

l. To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

m. To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including the expedited determination of tax under section 505(b) of the Bankruptcy Code);

n. To determine the scope of any discharge of any Debtor under the Plan or the Bankruptcy Code;

o. To recover all assets of the Debtors and all property of the Debtors' estates, wherever located;

p. To hear and determine any rights, claims or causes of action held by or accruing to the Debtors or the Litigation Trust pursuant to the Bankruptcy Code, any other federal or state statute, or any legal theory;

q. To enter a final decree closing the Chapter 11 Cases;

r. To determine any other matters that may arise in connection with or are related to the Plan, the Disclosure Statement, the Confirmation Order any of the Plan Documents, or any other contract, instrument, release or other agreement or document related to the Plan, the Disclosure Statement or the Plan Supplement; and

s. To hear and determine any other matter not inconsistent with the Bankruptcy Code.

N. Miscellaneous Provisions

1. Effectuating Documents and Further Transactions

Crescent Investment and the Reorganized Debtors are authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents (including, without limitation, the Exit Facility Agreement, the Second Lien Facility, the Crescent Investment Operating Agreement, the Amended Crescent Holdings Operating Agreement, and the Amended Crescent Resources Operating Agreement) and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan and any securities issued pursuant to the Plan.

2. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection therewith and distributed thereunder, any party issuing any instrument or making any distribution under the Plan, will comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under the Plan will be subject to any such withholding or reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a distribution under the Plan will have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such distribution. Any party issuing any instrument or making any distribution under the Plan has the right, but not the obligation, to not make a distribution until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligation.

3. Exemption from Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, the Reorganized Equity Interests, any merger agreements or agreements of consolidation, deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated under the Plan, will not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

4. Expedited Tax Determination

The Debtors and the Reorganized Debtors are authorized to request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for any and all returns filed for, or on behalf of, the Debtors for any and all taxable periods (or portions thereof) ending after the Commencement Date through, and including, the Effective Date.

5. Payment of Statutory Fees

On the Effective Date, and thereafter as may be required, the Debtors will (i) pay all fees payable pursuant to section 1930 of chapter 123 of title 28 of the United States Code until the Chapter 11 Cases are closed, converted, or dismissed, and (ii) provide the required post-confirmation reporting to the U.S. Trustee until the Chapter 11 Cases are closed.

6. Post-Confirmation Date Professional Fees and Expenses

From and after the Confirmation Date, the Reorganized Debtors will, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional Persons thereafter incurred by Reorganized Debtors.

7. Dissolution of the Creditors' Committee

On the Effective Date, the Creditors' Committee will be dissolved and the members thereof will be released and discharged from and of all further authority, duties, responsibilities and obligations relating to and arising from and in connection with the Chapter 11 Cases, and the retention or employment of the Creditors' Committee's attorneys, financial advisors, accountants and other agents, if any, will terminate other than for purposes of filing and prosecuting applications for final allowances of compensation for professional services rendered and reimbursement of expenses incurred in connection therewith.

8. Plan Supplement

A draft form of each of the Plan Documents to be entered into as of the Effective Date and any other appropriate documents will be contained in the Plan Supplement and filed with the Clerk of the Bankruptcy Court no later than fourteen (14) days prior to the last date by which holders of impaired Claims may vote to accept or reject the Plan. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Documents to be included in the Plan Supplement will be posted at a website identified in the Disclosure Statement as they become available, but no later than ten (10) days prior to the last date by which votes to accept or reject the Plan must be received.

9. Substantial Consummation

On the Effective Date, the Plan will be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

10. Amendments or Modifications of the Plan

Alterations, amendments, or modifications of or to the Plan may be proposed in writing by the Debtors at any time prior to the Confirmation Date, provided that the Plan, as altered, amended, or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors will have complied with section 1125 of the Bankruptcy Code. After the Confirmation Date, so long as such action does not materially and adversely

affect the treatment of holders of Claims or Equity Interests under the Plan, the Debtors or the Reorganized Debtors may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order, with respect to such matters as may be necessary to carry out the purposes and effects of the Plan. A holder of a Claim or Equity Interest that has accepted the Plan will be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification does not materially and adversely change the treatment of the Claim or Equity Interest of such holder.

11. Revocation or Withdrawal of the Plan

The Debtors reserve the right to revoke or withdraw, with respect to one or more of the Debtors, the Plan prior to the Effective Date. If the Debtors take such action, the Plan will be deemed null and void. In such event, nothing contained in the Plan will constitute or be deemed a waiver or release of any Claims against or Equity Interests in the Debtors, any claims or rights of the Debtors against any other Person, or to prejudice in any manner the rights of the Debtors or any other Person in any further proceedings involving the Debtors.

12. Severability

If, prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision as altered or interpreted will then be applicable. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

13. Governing Law

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit hereto or a schedule or document in the Plan Supplement provides otherwise, the rights, duties, and obligations arising under the Plan will be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof.

14. Binding Effect

The Plan will be binding upon and inure to the benefit of the Debtors, the holders of Claims and Equity Interests, and their respective successors and assigns, including, without limitation, the Reorganized Debtors.

15. Exhibits and Schedules

All exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if set forth in full in the Plan.

16. Notices

In order to be effective, all notices, requests, and demands to or upon the Debtors must be in writing (including by facsimile transmission) and, unless otherwise expressly provided in the Plan, will be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

Crescent Resources, LLC
400 South Tryon, Suite 1300
Charlotte, North Carolina 28285
Attn: Kevin H. Lambert
Telephone: (980) 321-6000
Facsimile: (980) 321-6220

– and –

Weil, Gotshal & Manges LLP
200 Crescent Court, Suite 300
Dallas, Texas 75201
Attn: Martin A. Sosland
Telephone: (214) 746-7700
Facsimile: (214) 746-7777

17. Time

In computing any period of time prescribed or allowed by the Plan, unless otherwise set forth in the Plan or determined by the Bankruptcy Court, the provisions of Bankruptcy Rule 9006 will apply.

18. Section Headings

The section headings contained in the Plan are for reference purposes only and will not affect in any way the meaning or interpretation of the Plan.

V.

FINANCIAL INFORMATION, PROJECTIONS AND VALUATION ANALYSIS

A. Selected Historical and Projected Financial Performance of the Debtors

The following exhibit sets forth the unaudited financials of the Debtors for the years from 2008 and 2009 and the Projected Financial Statements for the Debtors for the years

2010 through 2014, attached hereto as **Exhibit ~~D~~F**, and the reconciliation of the Debtors' income from operations to its Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") for those periods (dollar amounts in thousands).

EBITDA is not a measure of performance under U.S. generally accepted accounting principles ("GAAP") and should not be considered in isolation or used as a substitute for income from operations, net income, net cash provided by operating activities, or other operating or cash flow statement data prepared in accordance with GAAP. The Debtors have presented EBITDA in this Disclosure Statement because management uses EBITDA as a supplemental measure to evaluate the operating performance of the Debtors' business and believes that it provides a useful measure for comparing period to period performance among their business units because it does not include period to period fluctuations in taxes, interest costs, costs associated with capital investments, and certain non-operating items, and because certain financial covenants in the Debtors' senior, secured credit agreements have been and will, in the future, be calculated using variations of EBITDA. Nevertheless, EBITDA has material limitations when used as a measurement of performance, including the following:

a. EBITDA excludes interest expense. Cash interest payments represent a reduction in cash available to the Debtors, and accruals for interest expense represent an obligation to pay cash interest in the future.

b. EBITDA excludes provisions for taxes. Cash payments of taxes represent a reduction in cash available to the Debtors, and accruals for non-cash taxes represent an obligation to pay cash taxes in the future.

c. EBITDA excludes depreciation and amortization related to buildings, equipment, and tooling. Although depreciation and amortization are noncash charges, they represent the using up, over a projected period, of assets that produce revenue. EBITDA does not reflect the capital expenditures required for the replacement of these depreciated assets.

d. EBITDA does not reflect reorganization items, which represent revenues, expenses, realized gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of our business under chapter 11. Reorganization items that are expenses represent a reduction in cash available to the Debtors, either currently or in the future.

e. EBITDA does not reflect cash provided or used as a result of changes in the Debtors' working capital.

f. The Debtors' definition of EBITDA may not be the same as the definition of EBITDA used by other companies, including companies in the industries in which the Debtors operate. As the number of differences in the definition of EBITDA increases, the usefulness of EBITDA as a comparative measure decreases. The definition of EBITDA used here may be different from the definition of EBITDA used to calculate compliance

with the financial covenants in the loan agreements governing the Prepetition Credit Agreement and DIP Credit Facility.

To compensate for the shortcomings of EBITDA as a financial measure, it is important to use financial data derived under GAAP.

B. Valuation of the Reorganized Debtors

1. Estimated Reorganization Value and Reorganized Equity Interests Value

The Debtors have been advised by their investment banker, Lazard, with respect to the estimated range of hypothetical reorganization values of the Reorganized Debtors. Lazard has estimated the value as of January 2010, under the assumption that the underlying assumptions and conditions used to derive such values will not change materially from such date through the assumed Effective Date.

Lazard estimates the range of the enterprise value of the Reorganized Debtors (the "Reorganization Value") to be from approximately $588 million to approximately $665 million, with a midpoint of approximately $626 million (the "Midpoint Reorganization Value"). The Reorganization Value was based on the estimated enterprise value of the operations and assets of the Reorganized Debtors through the application of, among other analyses, a discounted cash flow valuation methodology (the "DCF") of the Debtors' operations using a range of discount rates from 15% to 20%, which imputed a present value of free cash flows of those operations over the life of the business. The DCF relates the value of the business to the present value of expected future cash flows to be generated by the Reorganized Debtors. This methodology is a forward-looking approach that discounts expected future cash flows by a theoretical discount rate. "Free cash flow" for purposes of the DCF means the difference between cash inflows and cash outflows from operating activities (after any asset-specific mortgages) reduced by projected taxes paid (the Reorganized Debtors do not anticipate material federal taxes during the projection period) net working capital investments and capital expenditures (as used herein, the "projected unlevered cash flows"). The projected unlevered free cash flows used in the DCF analysis were derived from the forecasted cash flows contained in the Debtor's business plans throughout the entire projection period (for clarification purposes, such period extends beyond the period shown in the Projected Financial Statements attached hereto). To derive a present value of these unlevered free cash flows, the discount rate used is a function of the riskiness of the estimated cash flows, with investors requiring higher rates of return for riskier assets and lower rates for assets with less expected risk.

The Reorganized Debtors estimate that they will have approximately $~~104~~72 million of available Cash and $~~590~~575 million of debt on the Effective Date, which, when added and subtracted, respectively, to the Reorganization Value, implies a value of the Reorganized Equity Interests for the Reorganized Debtors (the "Reorganized Equity Interests Value") of approximately $~~102~~85 million to approximately $~~179~~162 million, with a midpoint of approximately $~~140~~124 million (the "Midpoint Equity Value"). The Reorganization Value and Reorganized Equity Interests Value consist of the theoretical value of the Reorganized Debtors through the application of intrinsic valuation methodologies. ~~Lazard has estimated the Reorganization Value and Reorganized Equity Interests Value as of January 2010, under the~~

~~assumption that the underlying assumptions and conditions used to derive the Reorganization Value and Reorganized Equity Interests Value will not change materially from such date through the assumed Effective Date.~~

The foregoing estimates of the Reorganization Value of the Reorganized Debtors, and the resulting estimates of Reorganized Equity Interests Value of the Reorganized Debtors, as the case may be, are based on a number of assumptions, including a successful reorganization of the Debtors' business, the implementation and realization of the Reorganized Debtors' business plans, the achievement of the forecasts reflected in management's projections, commercial, residential, multifamily and undeveloped land real estate prices in the areas in which the Reorganized Debtors will continue to conduct business, overall economic conditions, and the Plan becoming effective on the assumed Effective Date. In addition, the Reorganized Equity Interests Value does not take into account any effects, including dilution, of any equity to be provided to management pursuant to the Management Incentive Plan.

In preparing the estimate of the Reorganization Value of the Reorganized Debtors, Lazard undertook, among other things, the following steps: (a) reviewed certain historical financial information of the Debtors for recent years and interim periods; (b) reviewed certain internal financial and operating data of the Debtors and financial projections relating to their business and prospects; (c) met with certain members of the senior management of the Debtors to discuss the Debtors' operations and future prospects; (d) considered certain economic and real estate market information and surveys relevant to the Debtors' assets; and (e) reviewed such other information and conducted such other analyses as Lazard deemed appropriate.

Although Lazard conducted a review and analysis of the Debtors' business, assets and liabilities and business plan, Lazard assumed and relied on the accuracy and completeness of all (a) financial and other information furnished to it by the Debtors and by other firms or advisors retained by the Debtors and (b) publicly available information. Lazard did not independently verify any financial projections prepared by management of the Debtors in connection with its estimates of the Reorganization Value. Lazard has assumed that such projections have been prepared reasonably, in good faith and on a basis reflecting the currently available estimates and judgments of the Debtors as to the future operating and financial performance of the Debtors. Such projections assume that the Reorganized Debtors will operate the business reflected in the financial forecast and that the business will perform, and the state of the real estate markets will be, as expected in the financial forecast. To the extent that (i) real estate pricing and demand in the markets in which the Debtors operate recover more slowly or more quickly during the period contemplated in the projections or (ii) the costs of the Reorganized Debtors' operations are inconsistent with those expected by management in the financial forecast, such differences may have a material impact on the projections and the valuations as presented herein.

~~The hypothetical valuation was based on the estimated enterprise value of the operations and assets of the Reorganized Debtors through the application of, among other analyses, a discounted cash flow analysis of the Debtors' operations using a range of discount rates from 15% to 20%, which imputed a present value of free cash flows of those operations over the life of the business.~~

An estimate of the Reorganization Value and Reorganized Equity Interests Value is not entirely mathematical but, rather, involves complex considerations and judgments concerning various factors that could affect the value of an operating business. Lazard made judgments as to the relative significance of each analysis in determining the Reorganized Debtors' Reorganization Value range. Lazard did not consider any one analysis or factor to the exclusion of any other analysis or factor. Lazard's hypothetical valuation must be considered as a whole, and selecting just one methodology or portions of the analyses, without considering the analyses as a whole, could create a misleading or incomplete conclusion as to the Reorganized Debtors' Reorganization Value. With respect to the analysis of comparable companies and the analysis of selected precedent transactions to the extent used in the analysis, no company is identical to the Reorganized Debtors, and no transaction is identical to the reorganization of the Debtors. Furthermore, such comparisons are particularly difficult in the case of the Reorganized Debtors due to the unique nature of any real estate asset.

The values of both operating businesses and real estate assets are subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial conditions and prospects of such a business and/or assets. As a result, the estimate of the Reorganization Value and Reorganized Equity Interests Value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, none of the Debtors, Lazard, or any other person assumes responsibility for their accuracy. Depending on the results of the Debtors' operations or changes in the financial markets, Lazard's valuation estimates as of the Effective Date may differ from those disclosed herein.

THE FOREGOING VALUATION IS BASED UPON A NUMBER OF ESTIMATES AND ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS OR THE REORGANIZED DEBTORS. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE RANGES REFLECTED IN THE VALUATION WOULD BE REALIZED IF THE PLAN WERE TO BECOME EFFECTIVE, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

THE ESTIMATED CALCULATION OF REORGANIZATION AND REORGANIZED EQUITY INTERESTS VALUE IS HIGHLY DEPENDENT UPON ACHIEVING THE FUTURE FINANCIAL RESULTS AS SET FORTH IN THE DEBTORS' BUSINESS PROJECTIONS, AS WELL AS THE REALIZATION OF CERTAIN OTHER ASSUMPTIONS, NONE OF WHICH ARE GUARANTEED AND MANY OF WHICH ARE OUTSIDE OF THE DEBTORS' CONTROL.

THE CALCULATIONS OF VALUE SET FORTH HEREIN REPRESENT ESTIMATED REORGANIZATION AND REORGANIZED EQUITY INTERESTS VALUE AND DO NOT NECESSARILY REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE VALUES STATED HEREIN DO NOT PURPORT TO BE AN ESTIMATE OF THE POST-REORGANIZATION MARKET VALUE. SUCH VALUE, IF ANY, MAY BE MATERIALLY DIFFERENT FROM THE REORGANIZED VALUE RANGES ASSOCIATED WITH THIS VALUATION ANALYSIS. NO

RESPONSIBILITY IS TAKEN FOR CHANGES IN MARKET CONDITIONS AND NO OBLIGATION IS ASSUMED TO REVISE THIS CALCULATION OF REORGANIZED DEBTORS' VALUE TO REFLECT EVENTS OR CONDITIONS THAT SUBSEQUENTLY OCCUR. THE CALCULATIONS OF VALUE DO NOT CONFORM TO THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE OF THE APPRAISAL FOUNDATION.

VI.

CERTAIN FACTORS TO BE CONSIDERED

A. Certain Risks Related to the Plan

1. The Debtors May Not Be Able to Obtain Confirmation of the Plan

The Debtors cannot ensure that they will receive the requisite Plan acceptances to confirm the Plan. Even if the Debtors receive the requisite Plan acceptances, the Debtors cannot ensure that the Bankruptcy Court will confirm the Plan. The adequacy of the Disclosure Statement or the balloting procedures and results may be challenged as not being in compliance with the Bankruptcy Code, and even if the Bankruptcy Court determined that the Disclosure Statement and the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things: (i) a finding by a bankruptcy court that a plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes, (ii) confirmation is not likely to be followed by a liquidation or a need for further financial reorganization, and (iii) the value of distributions to non-accepting holders of claims and interests within a particular class under the plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code. While there can be no assurance that these requirements will be met, the Debtors believe that the Plan does not unfairly discriminate and is fair and equitable, will not be followed by a need for further financial reorganization, and that non-accepting holders within each Class under the Plan will receive distributions at least as great as would be received following a liquidation under chapter 7 of the Bankruptcy Code.

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes. In addition, although the Debtors believe that the Effective Date will occur on or before June 10, 2010, there can be no assurance as to such timing.

2. Undue Delay In the Confirmation of the Plan May Significantly Disrupt Operations of the Debtors

The impact that a continuation of the Chapter 11 Cases may have on the operations of the Debtors and their businesses cannot be accurately predicted or quantified. Since

the filing of the Chapter 11 Cases, the Debtors have suffered disruptions in operations, including lost business opportunities, real estate development projects, and potential purchasers of the Debtors' assets. The continuation of the Chapter 11 Cases, particularly if the Plan is not approved or confirmed in the time frame currently contemplated, could further adversely affect the Debtors' operations and relationships with the Debtors' customers, vendors, suppliers, and employees. If confirmation of the Plan does not occur expeditiously, the Chapter 11 Cases could result in, among other things, increases in costs, professional fees, and similar expenses. In addition, prolonged Chapter 11 Cases may make it more difficult to retain and attract management and other key personnel, and would require senior management to spend a significant amount of time and effort dealing with the Debtors' financial reorganization instead of focusing on the operation of the Debtors' businesses.

3. Parties In Interest May Object to the Debtors' Classification of Claims

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there is no assurance that the Bankruptcy Court will necessarily hold that the Claims classification scheme complies with the Bankruptcy Code, which could delay or prevent the confirmation of the Plan.

4. Certain Tax Consequences of the Plan Raise Unsettled and Complex Legal Issues and Involve Various Factual Determinations

Some of the material consequences of the Plan regarding United States federal income taxes are summarized in Section VII. Some of these tax issues raise unsettled and complex legal issues, and also involve various factual determinations, that raise additional uncertainties. The Debtors cannot ensure that the IRS will not take a contrary view and no ruling from the IRS has been or will be sought regarding the tax consequences described in Article VII. In addition, the Debtors cannot ensure that the IRS will not challenge the various positions the Debtors have taken, or intend to take, with respect to various tax issues, or that a court would not sustain such a challenge.

FOR A MORE DETAILED DISCUSSION OF THE CONSEQUENCES AND RISKS RELATING TO THE SPECIFIC POSITIONS THE DEBTORS INTEND TO TAKE WITH RESPECT TO VARIOUS TAX ISSUES, PLEASE SEE SECTION VII.

B. <u>Risks Related to the Capitalization of the Reorganized Debtors</u>

1. The Reorganized Debtors' future financial and operating flexibility may be adversely affected by their leverage as a result of the Exit Facility and the Second Lien Facility, the working capital needs associated with their current operations, projected future capital expenditures, and recent disruptions in the financial markets.

On the Effective Date, after giving effect to the transactions contemplated by the Plan, the Reorganized Debtors will have approximately $~~590~~465 million in corporate-level secured indebtedness and expect to have the ability to borrow up to approximately an additional

$100 million to $150 million under the Exit Facility. Significant amounts of cash flow will be necessary to make payments of interest and repay the principal amount of such indebtedness.

The degree to which the Reorganized Debtors are leveraged could have important consequences because:

a. it could affect the Reorganized Debtors' ability to satisfy their obligations under the Exit Facility, the Second Lien Facility and other obligations;

b. a substantial portion of the Reorganized Debtors' cash flow from operations will be required to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, or general corporate or other purposes;

c. the Reorganized Debtors' ability to obtain additional financing in the future may be impaired; and

d. the Reorganized Debtors' flexibility in planning for, or reacting to, changes in their business may be limited.

The Reorganized Debtors' ability to make payments on and to refinance their debt, including the Exit Facility and the Second Lien Facility, will depend on their ability to generate cash in the future. This, to a certain extent, is subject to general economic, business, financial, competitive, legislative, regulatory, and other factors that are beyond the control of the Reorganized Debtors.

There can be no assurance that the Reorganized Debtors will be able to generate sufficient cash flow from operations or that future borrowings will be available under credit facilities in an amount sufficient to enable the Reorganized Debtors to pay their debt obligations, including obligations under the Exit Facility and the Second Lien Facility, or to fund their other liquidity needs. The Reorganized Debtors may need to refinance all or a portion of their debt on or before maturity. There can be no assurance that the Reorganized Debtors will be able to refinance any of their debt on commercially reasonable terms or at all.

2. The project-level indebtedness of certain Crescent Resources' subsidiaries, including their ability to maintain or refinance such indebtedness, may adversely affect the Reorganized Debtors' future financial and operational results.

Certain subsidiaries of Crescent Resources have entered into separate project-level credit facilities. The Plan does not contemplate that any of the existing credit facilities with respect to these entities will be refinanced through the Exit Facility. There can be no assurance that these entities will be able to satisfy their obligations under their respective existing or future credit facilities, refinance any expired or expiring credit facilities on acceptable or market-based terms, or procure new credit facilities. If these entities are unable to satisfy their obligations under such credit facilities or refinance such credit facilities on reasonable and acceptable terms it could have an adverse impact on the Reorganized Debtors' financial and operating results.

3. The covenants in the Exit Facility and the Second Lien Facility could hinder the Reorganized Debtors' business activities and operations.

The Exit Facility and the Second Lien Facility will contain various provisions that may limit the Reorganized Debtors' ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain asset sales, enter into certain transactions with affiliates, merge, consolidate and/or sell or dispose of all or substantially all of its assets.

In addition, the Exit Facility and the Second Lien Facility will require the Reorganized Debtors and certain of their subsidiaries to maintain certain financial ratios and meet certain tests, with respect to leverage ratios. Covenants in the Exit Facility and the Second Lien Facility will also require the Reorganized Debtors to use a portion of their cash flow and the proceeds they receive from certain asset sales and upon the occurrence of other events to repay outstanding borrowings under the Exit Facility and the Second Lien Facility. These covenants may have important consequences on the Debtors' operations, including, without limitation, restricting their ability to obtain additional financing and potentially limiting their ability to adjust to rapidly changing market conditions.

The Debtors cannot assure you that the Reorganized Debtors and certain of their subsidiaries will be able to comply with the provisions of their respective debt instruments, including, without limitation, the financial covenants in the Exit Facility and the Second Lien Facility. Any failure to comply with the restrictions of the Exit Facility, the Second Lien Facility or any other such subsequent financing agreements may result in an event of default. An event of default may allow the creditors to accelerate the related debt as well as any other debt to which a cross-acceleration or cross-default provision applies. The Debtors cannot provide assurance that the Reorganized Debtors and certain of their subsidiaries' assets or cash flow would be sufficient to fully repay borrowings under the outstanding debt instruments, either upon maturity or if accelerated upon an event of default, or that they would be able to refinance or restructure the payments on such debt. If the Reorganized Debtors are unable to repay amounts outstanding under the Exit Facility or the Second Lien Facility when due, the lenders thereunder could, subject to the terms of the relevant agreements, seek to sell or otherwise transfer the assets that are pledged to secure the indebtedness outstanding under those facilities and notes. The Exit Facility and the Second Lien Facility will be secured by substantially all of the assets of the Reorganized Debtors.

4. The Reorganized Equity Interests will not be publicly traded, which may hinder or prevent the holders of the Reorganized Equity Interests from obtaining liquidity with respect to such Reorganized Equity Interests.

The Reorganized Equity Interests will not be listed on any national securities exchange and, as a result, ~~New Holdings~~Crescent Investment and Reorganized Crescent Resources cannot ensure any level of liquidity in the market for Reorganized Equity Interests and does not expect that any trading market will develop for the Reorganized Equity Interests. Accordingly, no assurance can be given that a holder of such securities will be able to sell them in the future or as to the price at which any sale may occur. If a holder of such securities is able to sell them in the future, such sale would have to be completed pursuant to an available

exemption from registration under the Securities Act of ~~1933~~1933, as amended, and under equivalent state securities or "blue sky" laws. Additionally, if a holder of such securities is able to sell them in the future, the price of the securities could be higher or lower than the value ascribed to them in this Disclosure Statement, depending upon many factors, including, among others, prevailing interest rates, whether a market exists for such securities, industry conditions, and the performance of, and investor expectations for, Reorganized Debtors.

5. The initial Reorganized Equity Interests Value is not intended to represent the market value of Reorganized Equity Interests and there is no assurance that a holder will be able to sell the Reorganized Equity Interests at a reasonable price or at all.

The valuation analysis used to determine the value of Reorganized Equity Interests was based on the Reorganized Debtors' financial projections developed by the Debtors' management and on certain generally accepted valuation principles and was not intended to represent the trading values of Reorganized Equity Interests in public or private markets. Several factors may cause the price of Reorganized Equity Interests to vary including:

a. changes in the Reorganized Debtors' financial performance and prospects or in the financial performance and prospects of companies engaged in businesses that are similar to its business;

b. changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to the Reorganized Debtors' businesses;

c. changes in both the commercial and residential financing market;

d. significant sales of Reorganized Equity Interests or actions by ~~New Holdings~~Crescent Investment or Reorganized Crescent Resources' debt or equity holders;

e. limitations on Reorganized Crescent Resources' ability to pay dividends ~~on the New Resources Units~~;

f. general economic trends and other external factors, including those resulting from financial markets, weather, catastrophic events, war, incidents of terrorism or responses to these events;

g. speculation in the press or investment community regarding the Reorganized Debtors' businesses, officers, employees or factors or events that may directly or indirectly affect its businesses; and

h. adverse market reaction to any indebtedness the Reorganized Debtors may incur or securities ~~New Holdings~~Crescent Investment or Reorganized Crescent Resources may issue in the future.

C. Risks Related to the Financial and Operational Results of the Reorganized Debtors

1. Reduced demand for the Debtors' real estate could adversely affect the financial and operating results of the Reorganized Debtors, including the Reorganized Debtors' ability to achieve and maintain profitability.

A continued decrease in demand for residential, commercial, multifamily and land management real estate in the markets served by the Reorganized Debtors may negatively affect its financial and operating results. Factors that could lead to a continued decrease in market demand for real estate in the markets the Reorganized Debtors operate within include:

a. recessions or other adverse or uncertain economic conditions;

b. higher taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of developing the Reorganized Debtors' assets;

c. laws or statutory mandates enacted by governmental bodies that impact the Reorganized Debtor's business or financial and operating results;

d. effects of weather, natural phenomena, terrorism, war, or other similar acts;

e. increased interest, inflation or unemployment rates;

f. disproportionate or unique adverse economic developments in the regions in which the Reorganized Debtors operate and in the national real estate market generally; and

g. business layoffs or downsizing, including industry slowdowns, relocations of businesses, changing demographics.

There can be no guarantee that economic conditions or real estate market conditions will not deteriorate further. Should the real estate market not recover as anticipated, then the monetization of real estate assets could be materially impacted, decreasing or delaying projected cash flows and increasing holding costs.

2. Decreases in, and risks associated with maintaining, the market value of existing properties under development and completed projects may adversely affect the financial condition or operating results of the Reorganized Debtors.

If the market value of the Reorganized Debtors' land and development projects drop, results of operations will likely decrease. The market value of the Reorganized Debtors' land and development projects depends on market conditions and other external factors beyond the control of the Reorganized Debtors. If these adverse market conditions continue or worsen, it may have to write-down its inventories further and/or may have to sell land or projects below projected values. The Reorganized Debtors' development, construction and redevelopment activities involve the following significant risks:

a. changes to the plans or specifications;

b. increases in material and labor costs;

c. inability to obtain construction or redevelopment financing on favorable terms or at all;

d. inability to obtain permanent financing at all or on advantageous terms;

e. inability to complete development projects on schedule or within budgeted amounts;

f. underestimating the expected costs and time necessary to achieve the desired result with a redevelopment project;

g. discovery of structural, environmental or other feasibility issues with properties acquired as redevelopment projects following acquisition;

h. delays or refusals in obtaining all necessary zoning, land use, building, occupancy, and other required governmental permits and authorizations;

i. fluctuation in occupancy rates and rents at newly developed or renovated properties due to, among other things, market and economic conditions, adversely impacting profitability;

j. adverse weather that damages the project or causes delays;

k. shortages of qualified employees;

l. natural disasters, such as hurricanes, tornadoes, earthquakes, floods and fires;

m. unforeseen engineering, environmental or geological problems; and

n. shortages of materials and skilled labor.

3. The Reorganized Debtors' business strategy and growth depends on external sources of capital, some of which are outside of their control. If the Reorganized Debtors are unable to access capital from external sources, they may not be able to implement their business strategy or their business may be negatively affected.

The Reorganized Debtors' business and results of operations depend substantially on its ability to obtain financing for the development of its projects, whether from bank borrowings, or from financing in the public debt markets, or from equity providers. If the Reorganized Debtors are not able to obtain suitable financing or their credit ratings are lowered, their business and results of operations may decline. The availability of financing has declined significantly, and due to the deterioration of the credit markets and the uncertainties that exist in

the economy and for real estate companies in general, the Reorganized Debtors may not be able to replace existing financing or find additional sources of financing on favorable terms or at all.

The Reorganized Debtors' access to favorable third-party sources of capital depends, in part, on:

a. current debt levels;

b. current cash flow from operating activities;

c. current and expected future earnings;

d. market perception of growth potential;

e. increases in interest rates;

f. ratings that national rating agencies assign to the Reorganized Debtors' debt securities; ~~and~~

g. ability to obtain letters of credit and surety bonds (sometimes necessary for the Reorganized Debtors to secure performance under various construction and land development agreements, escrow agreements, financial guarantees and other arrangements); and

h. ability of potential home/lot buyers to obtain mortgages for the purchase of homes/lots.

If the Reorganized Debtors cannot obtain capital from third-party sources, they may not be able to acquire or develop properties when strategic opportunities exist, satisfy their debt service obligations or continue to fund current operations.

4. The Reorganized Debtors are exposed to the creditworthiness and performance of ~~its~~their customers, suppliers and transactional counterparties, and any material nonpayment or nonperformance by one or more of these parties could adversely affect the financial condition and operating results of the Reorganized Debtors.

There can be no assurance that the Reorganized Debtors have adequately assessed the creditworthiness of their existing or future customers, suppliers or transactional counterparties or that there will not be a rapid and unanticipated deterioration in their creditworthiness, which would have an adverse impact on the Reorganized Debtors' financial condition and operating results. ~~Nor is there certainty~~There can also be no assurance that counterparties to the Reorganized Debtors will perform or adhere to existing or future contractual arrangements.

The Reorganized Debtors intend to manage their exposure to credit risk through credit analysis and monitoring procedures and policies, including credit support requirements such as letters of credit, prepayments and guarantees. However, these procedures and policies cannot fully eliminate counterparty credit risk, and to the extent the Reorganized Debtors'

procedures and policies prove to be inadequate, their financial condition and operating results could be negatively impacted. Some of the Reorganized Debtors' counterparties may be highly leveraged and subject to their own operating and regulatory risks and, even if the Reorganized Debtors' credit review and analysis mechanisms work properly, they may experience financial losses in their dealings with such parties.

Any material nonpayment or nonperformance by the Reorganized Debtors' counterparties could require the Reorganized Debtors to pursue substitute counterparties for their affected operations, reduce operations or provide alternative services. There can be no assurance that any such efforts would be successful or would provide similar operating results.

5. The Reorganized Debtors' operations are subject to substantial regulatory requirements which could impact ~~its~~their financial condition and operating results.

The Reorganized Debtors' operations are subject to substantial regulation from federal, state, provincial and local authorities. Government regulations and related legal challenges may delay the start or completion of the Reorganized Debtors' communities, increase expenses or limit ~~its~~their development activities, which could have a negative impact on operations. The approval of numerous governmental authorities must be obtained in connection with development activities, and these governmental authorities often have broad discretion in exercising their approval authority. The Reorganized Debtors incur substantial costs related to compliance with legal and regulatory requirements. Any increase in legal and regulatory requirements may cause the Reorganized Debtors to incur substantial additional costs, or in some cases cause the Reorganized Debtors to determine that the property is not feasible for development. Various local, state and federal statutes, ordinances, rules and regulations concerning building, zoning, sales and similar matters apply to and/or affect the housing industry. Governmental regulation affects construction activities as well as sales activities, mortgage lending activities and other dealings with consumers. The real estate industry also has experienced an increase in state and local legislation and regulations that limit the availability or use of land. The Reorganized Debtors may be required to apply for additional approvals or modify their existing approvals because of changes in local circumstances or applicable law. Further, the Reorganized Debtors may experience delays and increased expenses as a result of legal challenges to the Debtors' proposed communities, whether brought by governmental authorities or private parties.

Expansion of regulation in the real estate industry has increased the time required to obtain the necessary approvals to begin construction and has prolonged the time between the initial acquisition of land or land options and the commencement and completion of construction. These delays can increase costs and decrease profitability. Municipalities may restrict or place moratoriums on the availability of utilities, such as water and sewer taps. In some areas, municipalities may enact growth control initiatives, which will restrict the number of building permits available in a given year. If municipalities in which the Reorganized Debtors operate take actions like these, it could have an adverse effect on the business by causing delays, increasing costs or limiting the ability to operate in those municipalities.

6. The Reorganized Debtors could incur significant costs related to government regulation and private litigation over environmental matters, including with respect to

clean-up of contaminated properties and litigation from any harm caused by environmental hazards on their properties.

Under various federal, state and local environmental laws and regulations, a current or previous owner, manager or tenant of real estate may be required to investigate and clean up hazardous or toxic substances at the property, and may be held liable to a government entity or to third parties for property damage and for investigation, clean-up and monitoring costs incurred by the parties in connection with the actual or threatened contamination. These laws typically impose clean-up responsibility and liability without regard to fault, or whether or not the owner, operator or tenant knew of or caused the presence of the contamination. The liability under the laws may be joint and several for the full amount of the investigation, clean-up and monitoring costs incurred or to be incurred or actions to be undertaken, although a party held jointly and severally liable may obtain contributions from other identified, solvent, responsible parties of their fair share toward these costs to the extent such contributions are possible to obtain. These costs may be substantial, and may exceed the value of the property. The presence of contamination, or the failure to properly remediate contamination on a property may limit the ability of the owner, operator or tenant to sell or rent that property or to borrow using the property as collateral, and may cause our investment in that property to decline in value.

Federal, state and local regulations require building owners and those exercising control over a building's management to identify and warn, by signs and labels, potential hazards posed by workplace exposure to installed asbestos- containing materials and potentially asbestos-containing materials in their building. The regulations also set forth employee training, record keeping and due diligence requirements pertaining to asbestos-containing materials and potentially asbestos-containing materials. Significant fines can be assessed for violation of these regulations. Building owners and managers may be subject to an increased risk of personal injury lawsuits by workers and others exposed to asbestos-containing materials and potentially asbestos-containing materials as a result of these regulations. The regulations may affect the value of a building incorporating asbestos-containing materials or potentially asbestos-containing materials that the Reorganized Debtors own or manage.

7. Compliance with the Americans with Disabilities Act and fire, safety and other regulations may require us to make unintended expenditures that adversely impact our financial condition.

All of the Reorganized Debtors' commercial properties are required to comply with the Americans with Disabilities Act, or ADA. The ADA has separate compliance requirements for "public accommodations" and "commercial facilities," but generally requires that buildings be made accessible to people with disabilities. The obligation to make readily achievable accommodations is an ongoing one, and Reorganized Debtors' assess properties and make alterations as appropriate. Compliance with the ADA requirements could require removal of access barriers. Non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants, or both. Typically, Reorganized Debtors are responsible for changes to a building structure that are required by the ADA, which can be costly. In addition, the Reorganized Debtors are required to operate their properties in compliance with fire and safety regulations, building codes and other land use regulations. The Reorganized Debtors may be required to make substantial capital expenditures to comply with these requirements

thereby limiting the funds available to operate, develop and redevelop their properties and acquire additional properties. As a result, these expenditures could negatively impact the Reorganized Debtors' revenue and profitability.

8. The Chapter 11 Cases may have negatively affected the businesses of the Reorganized Debtors including relationships with certain customers, suppliers, transaction counterparties and vendors, which could adversely impact the Reorganized Debtors' future financial condition and operating results.

Due to the disruptions caused by the bankruptcy, certain of the Debtors' relationships with customers, suppliers and vendors may have been adversely affected and/or terminated. Customers, suppliers or vendors may have entered into alternate relationships with other counterparties or modified their relationship with the Debtors due to performance issues or concerns. In some instances, customers, suppliers and vendors have become Creditors under the Chapter 11 Cases. The effect of the bankruptcy process and the resolution of such Creditors' Claims against the Debtors (including the confirmation of the Plan) may have adversely affected such Creditors' relationship with the Reorganized Debtors. Changes in relationships with customers, suppliers and vendors could have a material adverse effect on the Reorganized Debtors' financial condition and operating results.

9. The inability to retain or recruit key officers and employees for the Reorganized Debtors could disrupt ~~its~~their business operations.

The purchase, development and marketing of real services and products requires detailed knowledge of real estate development, supply and availability of real estate, valuation of real estate and demands of individual counterparties. The Reorganized Debtors will depend on current and new key officers and employees to meet the challenges and complexities of its businesses. The failure to retain these employees could materially impact the Reorganized Debtors ability to complete existing projects, retain significant property management clients and attract third-party capital. If the Reorganized Debtors experience shortages or increased costs of labor and supplies or other circumstances beyond their control, there could be delays or increased costs in developing its projects, which could adversely affect operating results. The Reorganized Debtors ability to develop projects may be affected by circumstances beyond their control, including: work stoppages, labor disputes and shortages of qualified trades people, such as carpenters, roofers, electricians and plumbers; changes in laws relating to union organizing activity; lack of availability of adequate utility infrastructure and services; the need to rely on local subcontractors who may not be adequately capitalized or insured; and shortages, or delays in availability, or fluctuations in prices, of building materials.

If any officers or employees resign or are unable to continue in their present roles and are not adequately replaced or if the Reorganized Debtors are unable to fill currently vacant positions, the Reorganized Debtors' operations could be materially adversely affected.

10. The Reorganized Debtors may in the future encounter changes to ~~its~~their insurance programs, such as increased costs, changes to terms or loss of insurance, which could affect the financial condition and operating results of the Reorganized Debtors.

The Reorganized Debtors can give no assurance that they will be able to maintain adequate insurance in the future at rates they consider reasonable or at all. Further, the Reorganized Debtors' operations are subject to operational hazards, risks incidental to purchase, construction and development of real estate and unforeseen interruptions such as natural disasters, adverse weather, accidents, fires, explosions, terrorism, acts of war, and other events beyond its control. These events might result in a loss of equipment or life, injury, pollution and/or extensive property damage, as well as an interruption in the Reorganized Debtors' operations which could negatively impact the Reorganized Debtors' financial condition and operating results.

11. Compliance with or changes in accounting standards or application of accounting standards could have a material adverse impact on financial condition and operating results of the Reorganized Debtors.

The Reorganized Debtors may be unable to adequately comply with accounting standards which could impact their ability to receive an unqualified audit from their independent registered public accounting firm. Recently issued or future accounting pronouncements or other changes in accounting policies could result in accounting treatments that materially impact financial condition and operating results. In addition, the Reorganized Debtors could experience an increase in the cost of operations to implement such changes in accounting standards.

As part of the Reorganized Debtors' emergence from bankruptcy, they will be required to adopt fresh-start accounting. Under fresh-start accounting, their assets and liabilities will be recorded at fair value as of the fresh-start reporting date. There can be no assurance that the fair value of their assets and liabilities will not differ materially from the recorded values of the assets and liabilities in the projections. As a result, the financial condition and operating results of the Reorganized Debtors could be negatively impacted.

12. ~~New Holdings holds, directly or indirectly, interests in various limited liability companies and partnerships and may depend on distributions from those entities to pay current taxes and other expenses~~Reorganized Crescent Holdings will be treated as a partnership for tax purposes and holders of Reorganized Holdings Units may or may not receive distributions from Reorganized Crescent Holdings for the payment of such taxes.

~~New Holdings will be a holding company and will hold, directly or indirectly,~~ Reorganized Crescent Holdings will be treated as a partnership for tax purposes. Holders of Reorganized Holdings Units, including Crescent Investment, are subject to U.S. federal income taxation and, in some cases, state, local or foreign income taxation, on their allocable share of the Reorganized Crescent Holding's items of income, gain, loss, deduction, and credit, regardless of whether or when they receive cash distributions. In addition, Reorganized Crescent Holdings will hold, directly or indirectly, interests in entities that are treated as ~~partnerships or limited liability companies for United States federal income tax purposes. These partnerships and limited liability companies will not themselves be subject to United States federal income tax. Instead, their taxable income will be allocated to their partners or member, including New Holdings and certain other Reorganized Debtors, in accordance with their respective partnership and limited liability company agreements. Accordingly, New Holdings and certain other Reorganized Debtors will incur income taxes on any net taxable income of such partnerships and limited~~

~~liability companies and will also incur expenses related to their operations. To the extent that New Holdings or certain other Reorganized Debtors require funds to pay its taxes or other liabilities or to fund its operations, and the partnerships or limited liability companies~~"flow through" entities for tax purposes. Reorganized Crescent Holdings' ownership of equity interests in such entities may produce taxable income without corresponding distributions of cash to Reorganized Crescent Holdings or produce taxable income prior to or following the receipt of cash relating to such income. If holders of Reorganized Holdings Units, including Crescent Investment, require funds to pay their taxes in respect of their ownership of Reorganized Holdings Units, and Reorganized Crescent Holdings or its direct or indirect subsidiaries are restricted from making distributions to ~~it~~them under financing agreements or applicable laws or regulations or do not have sufficient earnings to make those distributions, ~~New Holdings or certain other Reorganized Debtors~~such holders, including Crescent Investment, may not have access to sufficient funds to satisfy ~~these obligations~~their tax liability in respect of their ownership of Reorganized Holdings Units.

13. The threat or attack of terrorists aimed at Reorganized Debtors' facilities could adversely affect ~~its~~their business.

Since the September 11, 2001 terrorist attacks, the United States government has issued warnings that energy assets, specifically the nation's real estate infrastructure, may be future targets of terrorist organizations. These developments have subjected the Reorganized Debtors' operations to increased risks. Any future terrorist attack that may target facilities of the Reorganized Debtors, those of their customers or those of certain other ~~assets~~entities could have a material adverse effect on their businesses. In addition, any governmental requirement to prepare for or protect against potential terrorist attacks could require the Reorganized Debtors to expend funds or modify their operations.

14. Increases in taxes or government fees could increase costs, and adverse changes in tax laws could reduce customer demand for homes, lots, and/or real estate developments.

Increases in real estate taxes and other local government fees, such as fees imposed on developers to fund schools, open space, road improvements, and/or provide low and moderate income housing, could increase costs and have an adverse effect on operations. In addition, increases in local real estate taxes could adversely affect potential buyers who may consider those costs in determining whether to make a purchase and decide, as a result, not to purchase one of the Reorganized Debtors' properties or projects. In addition, any changes in the tax laws that would reduce or eliminate tax deductions or incentives to buyers and/or investors, such as a change limiting the deductibility of interest on home mortgages, could make the Reorganized Debtors' offerings less affordable or otherwise reduce the demand for real estate, which in turn could reduce sales and hurt results of operations.

15. The Reorganized Debtors may be adversely impacted by the failure of a joint venture or its participants to fulfill their obligations.

To minimize capital needs and maximize the value of underlying land assets and development fee income, the Reorganized Debtors have investments in and commitments to

certain joint ventures with unrelated parties to develop land. These joint ventures usually incur indebtedness to finance their activities. In certain circumstances, the joint venture participants, including the Reorganized Debtors, are required to provide guarantees of certain obligations relating to the joint ventures. As a result of the continued downturn in the real estate market, some of these joint ventures or their participants have or may become unable or unwilling to fulfill their respective obligations. In addition, in many of these joint ventures, the Reorganized Debtors do not have a controlling interest and, as a result, it may not be able to require these joint ventures or their participants to honor their obligations or renegotiate them on acceptable terms. If the joint ventures or their participants do not honor their obligations, there could be a delay in the development of the project and the Reorganized Debtors may be required to expend additional resources or suffer losses, which could be significant.

16. Errors in estimates and judgments that affect decisions about how the Reorganized Debtors operate and on the reported amounts of assets, liabilities, revenues and expenses could have an adverse impact on the financial condition and operating results of the Reorganized Debtors.

In the ordinary course of doing business, the Reorganized Debtors make estimates and judgments that affect decisions about how ~~it operates~~they operate and on the reported amounts of assets, liabilities, revenues and expenses. These estimates include, but are not limited to, those related to the recognition of income and expenses; impairment of assets; estimates of future improvement and amenity costs; estimates of sales levels and sales prices; capitalization of costs to inventory; provisions for litigation, insurance and warranty costs; cost of complying with government regulations; and income taxes. The Reorganized Debtors base their estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, the Reorganized Debtors evaluate and adjust their estimates based upon the information then currently available. Actual results may vary from these estimates, assumptions and conditions and, as a result, have an adverse impact on the financial condition and operating results of the Reorganized Debtors.

D. Risks Related to the Litigation Trust

Distributions from the Litigation Trust will be dependent upon the proceeds from Litigation Trust Assets being in excess of the liabilities, obligations, and expenses of the Litigation Trust. The holders of the Litigation Trust Interests will not be able to receive any distributions from the Litigation Trust until the liabilities, obligations, and expenses of the Litigation Trust have been repaid. The Debtors can make no assurances regarding the amount of distributions from the Litigation Trust, if any.

VII.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors and to certain holders of Claims. The following summary does not address the U.S. federal income tax consequences to holders whose Claims are not impaired (*e.g.*, Other Priority Claims, Secured Tax Claims, Other Secured

Claims, and Intercompany Equity Interests). In addition, the following summary does not address the U.S. federal income tax consequences to holders of Crescent Holdings Equity Interests as they are deemed to reject to the Plan and the Debtors have been advised that such holders have engaged independent counsel.

The discussion of U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury regulations, judicial authorities, published positions of the Internal Revenue Service (the "IRS") and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion assumes that the Tranche B Notes, Tranche C Notes (collectively with Tranche B Notes, "Second Lien Facility Notes"), Reorganized ~~Holding~~Holdings Units and Crescent Investment Units are held as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Tax Code. This summary generally does not address foreign, state or local tax consequences of the contemplated transactions, nor does it purport to address the U.S. federal income tax consequences of the transactions to special classes of taxpayers (e.g., foreign taxpayers, small business investment companies, regulated investment companies, real estate investment trusts, controlled foreign corporations, passive foreign investment companies, banks and certain other financial institutions, insurance companies, tax-exempt organizations, retirement plans, holders that are, or hold Claims through, partnerships or other pass-through entities for U.S. federal income tax purposes, U.S. persons whose functional currency is not the U.S. dollar, dealers in securities or foreign currency, traders that mark-to-market their securities, expatriates and former long-term residents of the United States, persons subject to the alternative minimum tax, and persons holding Claims that are part of a straddle, hedging, constructive sale or conversion transaction). In addition, this discussion does not address U.S. federal taxes other than income taxes, nor does it apply to any person that acquires any of the Second Lien Facility Notes, Reorganized ~~Holding~~Holdings Units or Crescent Investment Units in the secondary market.

The U.S. federal income tax consequences of the contemplated transactions are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or any other tax authority, or an opinion of counsel, with respect to any of the tax aspects of the contemplated transactions, and the discussion below is not binding upon the IRS or such other authorities. Thus, no assurance can be given that the IRS or such other authorities would not assert, or that a court would not sustain, a different position from any discussed herein. For U.S. federal income tax purposes, the Debtors intend to treat the Second Lien Facility Notes, Reorganized ~~Holding~~Holdings Units, Crescent Investment Units and the other arrangements to which the Debtors and their subsidiaries are parties in a manner consistent with their form. The Debtors also intend to treat the Reorganized Crescent Holdings as a continuation ~~(not as a termination of the existing partnership and transfer of assets to a new partnership)~~ of Crescent Holdings for U.S. federal income tax purposes. If the IRS successfully asserted the Second Lien Facility Notes are not debt, Reorganized Crescent Holdings is not a continuing partnership of Crescent Holdings (but instead the existing partnership terminates and transfers its assets to a new partnership), or any other intended treatment of other arrangements is incorrect, the U.S. federal income tax consequences could materially differ from those described below. You should consult your own tax advisor with respect to the correctness of our position with respect to the Second Lien Facility Notes, Reorganized Crescent Holdings and other arrangements and the tax consequences of the contemplated transactions and of the acquisition,

ownership and disposition of the Second Lien Facility Notes, Reorganized Holdings Units, Crescent Investment Units and other arrangements if our position is not correct. The remainder of this discussion assumes, except where otherwise noted, that the Second Lien Facility Notes will be treated as debt, Reorganized Crescent Holdings will be treated as continuation of Crescent Holdings, and the intended treatment of other arrangements is correct.

The following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon your individual circumstances.

IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, holders of Claims and Crescent Holdings Equity Interests are hereby notified that: (a) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims and Crescent Holdings Equity Interests for the purpose of avoiding penalties that may be imposed on them under the Tax Code; (b) such discussion is written in connection with the promotion or marketing by the Debtors of the transactions or matters addressed herein; and (c) holders of Claims and Crescent Holdings Equity Interests should seek advice based on their particular circumstances from an independent tax advisor.

A. Consequences to the Debtors

The Debtors are not subject to federal income tax since they are treated either as disregarded entities or as partnerships for U.S. federal income tax purposes. Accordingly, the federal income tax consequences of the Plan will generally not be borne by the Debtors, and instead will be borne by holders of Crescent Holdings Equity Interests.

In connection with the implementation of the Plan, certain of the Debtors will incur income from cancellation of debt ("COD") for U.S. federal income tax purposes. COD is the amount by which the indebtedness discharged (reduced by any unamortized discount) exceeds any consideration given in exchange therefor. Crescent Holdings' share of such COD income will be allocable to the holders of Crescent Holdings Equity Interests. In general, the exclusion of COD from income under applicable provisions of the Tax Code is determined at the partner level.

B. Consequences to Holders of Certain Claims

1. Consequences to Holders of Prepetition Lender Claims

On the Effective Date, pursuant to the Plan, the following restructuring transactions shall be deemed to have occurred in the following order:

In the case of holders of Allowed Prepetition Lender Claims receiving Crescent Investment Units:

(i) First, such holders shall be deemed to have contributed all of such holders' Allowed Prepetition Lender Claims to Crescent Investment in exchange for Crescent Investment

Units and the right to receive their allocated share of Tranche B Notes, Tranche C Notes and Class B Litigation Trust Interests as discussed in (iii) below;

(ii) Second, Crescent Investment shall then be deemed to have contributed such Allowed Prepetition Lender Claims to Reorganized Crescent Holdings in exchange for (A) the Tranche B Notes, Tranche C Notes, and Reorganized Holdings ~~Series A~~ Units allocable to the holders of the Crescent Investment Units (after giving effect to the Capital Consideration Allocations) and (B) such holders' Pro Rata share of Class B Litigation Trust Interests; and

(iii) Third, Crescent Investment shall distribute to the holders of the Crescent Investment Units such Tranche B Notes and Tranche C Notes allocable to each such holder (after giving effect to the Capital Consideration Allocations), plus each such holder's Pro Rata share of Class B Litigation Trust Interests; and (i), (ii) and (iii) above, collectively, shall be in full satisfaction of such transferred Allowed Prepetition Lender Claims.

For U.S. federal income tax purposes, these transactions will be treated by the Debtors as an exchange by such contributing holders of their Allowed Prepetition Claims for Crescent Investment Units under section 351 of the Tax Code (see "—Contribution of Claims to Crescent Investment" below), followed, in part, by a taxable sale, and in part, by a capital contribution under section 721 of the Code, of such Claims by Crescent Investment to Reorganized Crescent Holdings in exchange for Reorganized Holdings ~~Series A~~ Units, Second Lien Facility Notes and Class B Litigation Trust Interests (see "—Issuance of ~~Certain~~Reorganized Holdings Units and ~~Other~~Class B Litigation Trust Interests to Holders of Allowed Prepetition Lender Claims" below).

In the case of holders of Allowed Prepetition Lender Claims receiving Reorganized Holdings ~~Series B~~ Units, on the Effective Date and simultaneously with the transactions described in clause (ii) above with respect to holders of Allowed Prepetition Lender Claims receiving Crescent Investment Units, pursuant to the Plan, each Electing Holder shall contribute all of its respective Allowed Prepetition Lender Claims to Reorganized Crescent Holdings in exchange for (i) the Tranche B Notes, Tranche C Notes, and Reorganized Holdings ~~Series B~~ Units allocable to such Electing Holder (after giving effect to the Capital Consideration Allocations) and (ii) Class B Litigation Trust Interests in an amount equal to such holder's Pro Rata share; and (i) and (ii) above, collectively, shall be in full satisfaction of such transferred Allowed Prepetition Lender Claims. For U.S. federal income tax purposes, these transactions will be treated by the Debtors as in part, a taxable sale, and in part, a capital contribution under section 721 of the Code, of such Claims by each Electing Holder to Reorganized Crescent Holdings in exchange for Reorganized Holdings ~~Series B~~ Units, Second Lien Facility Notes and Class B Litigation Trust Interests. See "—Issuance of ~~Certain~~Reorganized Holdings Units and ~~Other~~Class B Litigation Trust Interests to Holders of Allowed Prepetition Lender Claims," below.

In the case of holders of Allowed Prepetition Lender Claims receiving no Reorganized Equity Interests, on the Effective Date, each such holder shall receive (i) the Tranche B Notes and Tranche C Notes allocable to such holder (after giving effect to the Capital Consideration Allocations); and (ii) Class B Litigation Trust Interests in an amount equal to such holder's Pro Rata share; and (i) and (ii) above, collectively, shall be in full satisfaction of such

transferred Allowed Prepetition Lender Claims. For U.S. federal income tax purposes, such exchange will be treated as a fully taxable exchange. See "—Issuance of ~~Certain~~Reorganized Holdings Units and ~~Other~~Class B Litigation Trust Interests to Holders of Allowed ~~Prepetition~~Lender Claims," below.

Unless otherwise indicated, the following discussion assumes that the Debtors' intended treatment of the restructuring transactions is correct and the restructuring transactions will be characterized as described above for U.S. federal income tax purposes.

a. Contribution of Claims to Crescent Investment

A holder's contribution of Prepetition Lender Claims to Crescent Investment is expected to qualify under section 351 of the Tax Code. Accordingly, a holder of such Claim should not recognize any loss upon the contribution; but a holder will recognize any gain to the extent of the ~~issue price~~fair market value of the Second Lien Facility Notes received ~~(which, as discussed below, would be equal to either the fair market value or the stated principal amount of such interests)~~ and the fair market value of Class B Litigation Interests (as determined by the Litigation Trustee based on the fair market value of the underlying Litigation Trust Assets allocable to such interests). A holder that purchased its Claims from a prior holder at a "market discount" may be subject to the market discount rules of the Tax Code and any gain recognized on the contribution may be treated as ordinary income to the extent of any accrued market discount not previously included in income.

In a tax-free contribution under section 351 of the Tax Code, a holder's aggregate tax basis in Crescent Investment Units received will equal the holder's aggregate adjusted tax basis in the Claims exchanged therefor, increased by any gain recognized in the contribution, and decreased by any consideration received other than Crescent Investment Units (i.e., the ~~issue price~~fair market value of Second Lien Facility Notes and the fair market value of Class B Litigation Trust Interests). A holder's holding period in Crescent Investment Units received will include the holder's holding period in the Claims exchanged therefor.

A holder's tax basis in the Second Lien Facility Notes distributed by Crescent Investment should equal the ~~"issue price"~~fair market value of such notes on the date of the exchange~~. See "Consequences to Holders of Certain Claims—Ownership and Disposition of Second Lien Facility Notes—OID and Issue Price" below~~. A holder's tax basis in the Class B Litigation Interests should equal the fair market value of such interests on the date of the exchange. A holder's holding period in the Second Lien Facility Notes and Class B Litigation Interests should begin on the day following the exchange date. See "Tax Treatment of the ~~Liquidating~~Litigation Trust and Holders of ~~Liquidating~~Litigation Trust Interests," regarding the treatment of holders of Class B ~~Liquidating~~Litigation Trust Interests as a direct owner of an undivided interest in the Litigation Trust Assets for U.S. federal income tax purposes.

Crescent Investment' tax basis in the Prepetition Lender Claims so received should equal the contributing holders' aggregate adjusted tax basis in (but not exceeding the fair market value of) such Claims, increased by any gain recognized by such holders in respect of such contribution.

Generally, assuming no prior bad debt deduction has been claimed, a holder's adjusted tax basis in a Prepetition Lender Claim will be equal to the cost of such Claim to such holder, increased by any original issue discount ("OID") previously included in income. If applicable, a holder's tax basis in a Prepetition Lender Claim will also be (i) increased by any market discount previously included in income by such holder pursuant to an election to include market discount in gross income currently as it accrues, and (ii) reduced by any cash payments received on the Claim other than payments of "qualified stated interest," and by any amortizable bond premium which the holder has previously deducted.

b. Issuance of Reorganized Holdings Units and Class B Litigation Trust Interests to Holders of Allowed Prepetition Lender Claims

The exchange of Prepetition Lender Claims for Reorganized Holdings Units, Second Lien Facility Notes and Class B Litigation Trust Interests by Electing Holders and Crescent Investment will be treated in part as a tax-free contribution under section 721 of the Tax Code to the extent Reorganized Holdings Units are received (other than in respect of accrued but unpaid interest), and will be treated in part as a taxable exchange in which gain or loss will be recognized to the extent consideration other than Reorganized Holdings Units is received. In the case of a holder of an Allowed Prepetition Lender Claim receiving no Reorganized Equity Interests, such exchange will be treated as a fully taxable exchange. A holder will also have interest income to the extent of any consideration allocable to accrued but unpaid interest not previously included in income. See "—Payment of Accrued Interest" below.

In a tax-free contribution under section 721 of the Tax Code, a holder's tax basis in the Reorganized Holdings Units received (other than in respect of accrued but unpaid interest) should equal the holder's aggregate adjusted tax basis in the Claim exchanged ~~therefor~~therefore, increased by such holder's allocable share of any Reorganized Holdings liabilities. A holder's holding period in the Reorganized Holdings Units received will include such holder's holding period in the Claims exchanged therefor, except to the extent of any exchange consideration received in respect of accrued but unpaid interest.

A holder should recognize gain in the taxable exchange in an amount equal to the excess, if any, of (i) the sum (other than in respect of a Claim for accrued but unpaid interest) of (A) the "issue price" (as determined for U.S. federal income tax purposes, as discussed below) of its allocable portion of the Second Lien Facility Notes and (B) the fair market value of its Pro Rata portion of the Class B Litigation Trust Interests, over (ii) the holder's aggregate adjusted tax basis in the Prepetition Lender Claims exchanged (other than any basis attributable to accrued but unpaid interest). A holder's tax basis in the Second Lien Facility Notes received should equal the "issue price" of such notes on the date of the exchange. See "Consequences to Holders of Certain Claims—Ownership and Disposition of Second Lien Facility Notes—OID and Issue Price" below. A holder's tax basis in its Class B Litigation Trust Interests should equal the fair market value of such units or interests. A holder's holding period for any Second Lien Facility Notes and Class B Litigation Trust Interests generally should begin on the day following the exchange date. See "Tax Treatment of the ~~Liquidating~~Litigation Trust and Holders of ~~Liquidating~~Litigation Trust Interests," regarding the treatment of holders of Class B ~~Liquidating~~Litigation Trust Interests as a direct owner of an undivided interest in the Litigation Trust Assets for U.S. federal income tax purposes.

c. Character of Gain or Loss

Where gain or loss is recognized by a holder of a Prepetition Lender Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including, among others, the tax status of the holder, whether the Prepetition Lender Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Prepetition Lender Claim was acquired at a market discount, and whether and to what extent the holder previously had claimed a bad debt deduction.

d. Payment of Accrued Interest

In general, to the extent that any consideration received pursuant to the Plan by a holder of a Claim is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed or amortized OID was previously included in its gross income and is not paid in full. However, the IRS has privately ruled that a holder of a security of a corporate issuer, in an otherwise tax-free exchange, could not claim a current deduction with respect to any unpaid OID. Accordingly it is also unclear whether, by analogy, a holder of a Claim that does not constitute a security would be required to recognize a capital loss, rather than an ordinary loss, with respect to previously included OID that is not paid in full. The Plan provides that consideration received in respect of a Claim is allocable first to the principal amount of the Claim (as determined for U.S. federal income tax purposes) and then, to the extent of any excess, to the remainder of the Claim, including any Claim for accrued but unpaid interest (in contrast, for example, to a pro rata allocation of a portion of the exchange consideration received between principal and interest, or an allocation first to accrued but unpaid interest). See Section 9.13 of the Plan. There is no assurance that the IRS will respect such allocation for U.S. federal income tax purposes. You are urged to consult your own tax advisor regarding the allocation of consideration and the deductibility of accrued but unpaid interest for U.S. federal income tax purposes.

The assumed tax treatment described above is subject to uncertainty. ~~Under possible alternative characterizations~~For example, holders contributing their Allowed Prepetition Lender Claims to Crescent Investment might be ~~treated as contributing their~~deemed to exchange all or a portion of those Prepetition Lender Claims ~~to Reorganized Crescent Holdings in exchange for the Reorganized Holdings Series A Units, Second Lien Facility Notes and Class B Litigation Trust Interests, followed by the contribution of the Reorganized Holdings Series A Units to Crescent Investment in exchange for Crescent Investment Units~~directly with Reorganized Crescent Holdings. Alternatively, holders of the Allowed Prepetition Lender Claims might be treated as receiving undivided interests in the assets of Crescent Holdings in satisfaction of their Claims and contributing such undivided interests to Crescent Investment or to Reorganized Crescent Holdings, a newly established partnership for U.S. federal income tax purposes, as applicable. If so characterized, the U.S. federal income tax consequences to the holders of Prepetition Lender Claims may be materially different.

There could be other significant and adverse differences in the U.S. federal income tax consequences to holders of the Prepetition Lender Claims. Each holder of a Prepetition Lender ~~Claims~~Claim is urged to consult its tax advisor regarding the possible characterizations and consequences of the Restructuring transaction for U.S. federal income tax purposes.

2. Consequences to Holders of Other General Unsecured Claims

Pursuant to the Plan, each holder of an Allowed Other General Unsecured Claim will receive its Pro Rata share of the Class A Litigation Trust Interests in full satisfaction of its Claim.

Accordingly, in general, each holder of Allowed Other General Unsecured Claim should recognize gain or loss (although any loss could be deferred until all Disputed Claims are resolved) in an amount equal to the difference, if any, between (i) the fair market value of its undivided interest in the ~~Liquidating~~Litigation Trust Assets received in satisfaction of its Claim (other than in respect of any Claim for accrued but unpaid interest) and (ii) the holder's adjusted tax basis in its Claim (other than any tax basis attributable to accrued but unpaid interest). *See* "Tax Treatment of the ~~Liquidating~~Litigation Trust and Holders of ~~Liquidating~~Litigation Trust Interests," regarding the treatment of holders of Class A ~~Liquidating~~Litigation Trust Interests as a direct owner of an undivided interest in the Litigation Trust Assets for U.S. federal income tax purposes. For a discussion of the tax consequences of any Claim for accrued but unpaid interest, *see* "Consequences to Holders of Prepetition Lender Claims—Payment of Accrued Interest" above.

In addition, holders of previously Allowed Other General Unsecured Claims may become entitled to an increased share of the assets of the ~~Liquidating~~Litigation Trust Assets as any Disputed Claims are resolved. The imputed interest provisions of the Tax Code may apply to treat a portion of such increased share of assets as imputed interest. Holders of such Claims should also consult their tax advisors regarding the possible deferral of any loss, and a portion of any gain, realized by such holders in respect of their Claims until such Disputed Claims are resolved.

Where gain or loss is recognized by a holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including, among others, the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount, and whether and to what extent the holder previously had claimed a bad debt deduction.

In general, a holder's tax basis in its undivided interest in the ~~Liquidating~~Litigation Trust Assets should be equal to their fair market value which will reflect any obligations to which those assets are subject, and the holding period for such assets should begin the day following the receipt of such assets.

After the Effective Date, any amounts that a holder receives as a distribution from the ~~Liquidating~~Litigation Trust in respect of its Class A ~~Liquidating~~Litigation Trust Interests

(other than possibly as a result of the subsequent disallowance of a Disputed Claim, as discussed above) generally should not be included in the holder's amount realized in respect of its Claim for U.S. federal income tax purposes, but should be separately treated as a distribution received in respect of its Class A ~~Liquidating~~Litigation Trust Interests.

3. Ownership and Disposition of Second Lien Facility Notes

a. OID and Issue Price

The application of the OID provisions of the Tax Code, and the federal income tax treatment of stated interest, with respect to the Second Lien Facility Notes depends, in part, upon ~~whether~~ the respective "issue prices" of the Second Lien Facility Notes ~~are equal to their stated principal amount~~. Pursuant to applicable Treasury Regulations, the respective "issue prices" of the Second Lien Facility Notes depend, in part, upon whether the Second Lien Facility Notes or Prepetition Lender Claims exchanged (in whole or in part) therefor are traded on an "established market" during the 60-day period ending 30 days after the Effective Date (the "Testing Period"). If neither the Second Lien Facility Notes nor the Prepetition Lender Claims exchanged therefor are traded on an "established market" during the Testing Period, the "issue prices" of such non-traded Second Lien Facility Notes will depend on whether Section 1274(b)(3) of the Tax Code, as discussed below, applies to their issuance.

Pursuant to applicable Treasury regulations, an "established market" need not be a formal market. It is sufficient that the Second Lien Facility Notes or Prepetition Lender Claims exchanged therefor appear on a system of general circulation (including a computer listing disseminated to subscribing brokers, dealers, or traders) that provides a reasonable basis to determine fair market value by disseminating either recent price quotations or actual prices of recent sales transactions. Also, under certain circumstances, debt is considered to be traded in an established market when price quotations for such debt are readily available from dealers, brokers or traders. It is uncertain whether the Prepetition Lender Claims are, or whether the Second Lien Facility Term Notes will be, traded on an established market.

If the Second Lien Facility Notes or the Prepetition Lender Claims exchanged therefor are treated for U.S. federal income tax purposes as traded on an established market during the Testing Period, the "issue prices" of the Second Lien Facility Notes will equal the fair market value of such notes on the Effective Date. In such event, a Second Lien Facility Note will be treated as issued with OID, in the case of the Tranche B Notes, or a greater amount of OID, in the case of the Tranche C Notes, to the extent that its issue price is less than its stated principal amount. Depending on the fair market value of the Second Lien Facility Notes, the total amount of OID could be substantial. However, the Debtors anticipate that the fair market value of the Second Lien Facility Notes as of the Effective Date will approximate the stated principal amount of such Second Lien Facility Notes.

Pursuant to Section 1274(b)(3) and applicable Treasury Regulations, if neither the Second Lien Facility Notes nor the Prepetition Lender Claims are traded on an established market during the Testing Period, the "issue prices" of such non-traded instruments will still be equal to their fair market value if the fair market value of such instruments have been established in a "recent sales transaction" within the meaning of such provisions. Neither the Tax Code nor

the Treasury Regulations expound on the meaning of a recent sales transaction. Because, as stated above, the fair market value of such Second Lien Facility Notes must be determined for purposes of determining gain on the exchange under section 351 of the Tax Code and a holder's tax basis of such notes immediately after such exchange, the Debtors anticipate that they would take the position that this exchange under section 351 of the Tax Code will constitute a recent sale transaction with respect to the Second Lien Facility Notes and the Second Lien Facility Notes will be treated as having an issue price equal to their fair market value. The determination whether to take such position on Reorganized Crescent Holdings' tax return would be made by the board of managers of Reorganized Crescent Holdings. There is no assurance that the IRS would not take a contrary position. Pursuant to the applicable Treasury Regulations, a holder of a Second Lien Facility Note will be required to report consistent with the issuer's determination unless the holder explicitly discloses such inconsistent position on the holder's federal income tax return for the taxable year that includes the Effective Date.

If neither the Second Lien Facility Notes nor the Prepetition Lender Claims exchanged therefor are traded on an "established market" during the Testing Period and section 1274(b)(3) of the Tax Code does not apply, the issue prices for the Second Lien Facility Notes should be the stated principal amount of such notes. ~~It is uncertain whether the Prepetition Lender Claims are, or whether the Second Facility Term Notes will be, traded on an established market. The Debtors intend, however, to treat the Second Facility Term Notes as having an issue price equal to their stated principal amount. The Debtors' determination of issue price shall be binding on all holders of Claims, unless a holder explicitly discloses its inconsistent treatment in a statement attached to its timely filed tax return for the taxable year in which the exchange occurs. There can be no assurance, however, that the IRS will not successfully assert a contrary position.~~

The rules regarding the determination of issue price and OID are complex, and the OID rules described above may not apply in all cases. Accordingly, each holder of an Allowed Prepetition Lender Claim is urged to consult its tax advisor regarding the determination of the issue price of the Second Lien Facility Notes and the possible application of the OID rules.

b. Interest and OID on the Tranche B Notes

Stated interest on the Tranche B Notes should generally be includable in a holder's gross income as interest in accordance with such holder's normal method of accounting.

If~~, contrary to the Debtors' treatment,~~ the issue price of a Tranche B Note is treated as being less than the stated principal amount, the excess of such note's stated principal amount over its issue price should generally be treated as OID under the Tax Code. A holder of a Tranche B Note generally will be required to include such OID in income over the term of the note in accordance with a constant yield-to-maturity method, regardless of whether the holder is a cash or accrual method taxpayer, and regardless of whether and when the holder receives cash payments of interest on the Tranche B Note (other than cash attributable to qualified stated interest). Accordingly, a holder could be treated as receiving interest income in advance of a corresponding receipt of cash. Any OID that a holder includes in income will increase the tax basis of the holder in its Tranche B Note. A holder generally will not be required to include separately in income cash payments received on the Tranche B Note to the extent such payments

constitute payments of previously accrued OID or payments of principal, and such payments will reduce its tax basis in its Tranche B Note by the amount of such payments.

c. Interest and OID on the Tranche C Notes

All of the stated interest on the Tranche C Notes should generally be treated as OID under the Tax Code. In addition, if the issue price of a Tranche C Note is treated as being less than its stated principal amount, the excess of such note's stated principal amount over its issue price should be additionally treated as OID under the Tax Code. Each holder will be required to include in its gross income, as interest for U.S. federal income tax purposes, the portion of the OID (inclusive of all stated interest) that accrues while the holder held the note (including the day the note is acquired but excluding the day it is disposed of), regardless of such holder's normal method of accounting. Any OID will accrue over the term of the Tranche C Note based on the constant interest method (with the amount of OID attributable to each accrual period allocated ratably to each day in such period). Accordingly, a holder may be required to recognize income prior to the receipt of cash payments attributable to such income.

d. Application of AHYDO Provisions of the Tax Code

Any OID on a Second Lien Facility Note generally would be amortizable by Reorganized Crescent Holdings utilizing the constant interest method, and deductible as interest, unless the Second Lien Facility Note is treated as an applicable high yield discount obligation ("AHYDO") within the meaning of Section 163(e)(5) of the Tax Code. Although Section 163(e)(5) of the Tax Code by its terms applies only to corporate issuers, the Treasury Regulations under the partnership provisions of the Tax Code state that the AHYDO rules also apply to debt instruments issued by partnerships to the extent that the partnership has corporate partners. The determination of whether the AHYDO rules will apply is complex. The Debtors intend to take a position that neither Tranche B Notes nor Tranche C Notes will be subject to the AHYDO rules.

If, contrary to the Debtors' treatment, the AHYDO rules were to apply to either of the Second Lien Facility Notes, the interest deduction otherwise allowable to a direct or indirect corporate member of Reorganized Crescent Holdings with respect to amortizing OID would, at a minimum, be deferred until such OID is actually paid in cash, and may be disallowed in part. The portion of any interest deduction that will be disallowed is that portion that is equal to the fraction, the numerator of which is equal to the "disqualified yield" (i.e., the excess of the yield to maturity of a Second Lien Facility Note over the sum of the applicable federal rate for the calendar month in which the Effective Date occurs plus six percentage points) and the denominator of which is equal to the total yield to maturity of the Second Lien Facility Note. The income of a corporate holder of a Second Lien Facility Note with respect to the disqualified yield, if any, should be treated as a dividend for purposes of the dividends-received-deduction to the extent the corporate member has sufficient earnings and profits such that a similar distribution in respect of stock would have been treated as a dividend for U.S. federal income tax purposes. Presumably, a corporate holder's entitlement to a dividends-received-deduction is subject to the normal holding period and taxable income requirements and other limitations applicable to dividends-received-deductions. The Reorganized Debtors will endeavor to make

available to a holder of a Second Lien Facility Note the necessary information regarding the portion of the OID, if any, that should be treated as a dividend.

e. Sale, Exchange or Redemption of Second Lien Facility Notes

Unless a non-recognition provision applies, a holder of a Second Lien Facility Note generally will recognize gain or loss upon the sale, exchange or redemption of the Second Lien Facility Note equal to the difference, if any, between the holder's adjusted tax basis and the amount realized on the sale, exchange or redemption. For this purpose, a holder's adjusted tax basis generally will equal the holder's initial tax basis (~~i.e., the issue price,~~ see "Consequences to Holders of Prepetition Lender ~~Claim~~ Claims—Contribution of Claims to Crescent Investment and Issuance of ~~Certain~~Reorganized Holdings Units and ~~Other~~Class B Litigation Trust Interests to ~~Holdings~~Holders of Allowed Prepetition Lender Claims" above), increased by the amount of any OID accrued (determined without adjustments) up through the date of the sale, exchange, or redemption, and decreased by the amount of any cash payments (other than qualified stated interest). Any gain or loss generally will be capital gain or loss.

4. Ownership and Disposition of Reorganized Holdings Units

It is intended that Reorganized Crescent Holdings will be treated as a partnership for U.S. federal income tax purposes. Accordingly, members of Reorganized Crescent Holdings will receive an allocation of income, gain, loss, deduction, credit and items thereof and will be responsible for any tax liability associated with such allocation.

Under current Treasury Regulations, a domestic entity that has two or more members and that is not organized as a corporation under U.S. federal or state law will generally be classified as a partnership for federal income tax purposes, unless it elects to be treated as a corporation. Pursuant to the Plan and the Amended Crescent Holdings Operating Agreement, no election may be made for Reorganized Crescent Holdings to be classified as a corporation for U.S. federal income tax purposes that is effective on or prior to the Effective Date. Thus, subject to the discussion of "publicly traded partnerships" below, Reorganized Crescent Holdings will be treated as a partnership for U.S. federal income tax purposes.

Under the "publicly traded partnership" provisions of the Tax Code, an entity that would otherwise be treated as a partnership whose interests are considered to be publicly traded and does not meet a qualifying income test will be taxable as a corporation. The Amended Crescent Holdings Operating Agreement will prohibit the transfer of membership interests in Reorganized Crescent Holdings if such transfer would jeopardize the status of Reorganized Crescent Holdings as a partnership for U.S. federal income tax purposes. Any purported transfer in violation of such provisions will be null and void and would not be recognized by Reorganized Crescent Holdings.

This discussion of the federal income tax consequences of the Plan assumes that Reorganized Crescent Holdings will be treated as a partnership for U.S. federal income tax purposes.

As a partnership, Reorganized Crescent Holdings itself will not be subject to U.S. federal income tax. Instead, Reorganized Crescent Holdings will file an annual partnership

information return with the IRS which will report the results of Reorganized Crescent Holdings' operations. Each Reorganized Crescent Holdings member will be required to report on its U.S. federal income tax return, and will be subject to tax in respect of, its distributive share of each item of Reorganized Crescent Holdings' income, gain, loss, deduction and credit for each taxable year of Reorganized Crescent Holdings ending with or within the member's taxable year. Each item generally will have the same character as if the member had realized the item directly. Members will be required to report these items regardless of the extent to which, or whether, they receive cash distributions from Reorganized Crescent Holdings for such taxable year, and thus may incur income tax liabilities in excess of any distributions from Reorganized Crescent Holdings. For purposes of calculating Reorganized Crescent Holdings' items of income, gain, loss and deduction, upon the implementation of the Plan, Reorganized Crescent Holdings should maintain the same tax basis and holding period in the underlying assets as Crescent Holdings has maintained, subject to the basis adjustments under section 734(b) of the Tax Code with respect to the deemed cash distributions made by Reorganized Crescent Holdings to the holders of Crescent Holdings Equity Interests in respect of their decreased share of partnership liabilities.

A member is allowed to deduct its allocable share of Reorganized Crescent Holdings losses (if any) only to the extent of such member's adjusted tax basis (discussed below) in its membership interest at the end of the taxable year in which the losses occur. In addition, various other limitations in the Tax Code may significantly limit a member's ability to deduct its allocable share of deductions and losses of Reorganized Crescent Holdings against other income.

Reorganized Crescent Holdings will provide each member with the necessary information to report its allocable share of Reorganized Crescent Holdings' tax items for U.S. federal income tax purposes. However, no assurance can be given that Reorganized Crescent Holdings will be able to provide such information prior to the initial due date of the members' federal income tax return and the members may therefore be required to apply to the IRS for an extension of time to file their tax returns.

Under the Amended Crescent Holdings Operating Agreement, the board of ~~directors~~managers of Reorganized Crescent Holdings will decide how items will be reported on Reorganized Crescent Holdings' federal income tax returns, and all members will be required under the Tax Code to treat the items consistently on their own returns, unless they file a statement with the IRS disclosing the inconsistency. In the event that the income tax returns of Reorganized Crescent Holdings are audited by the IRS, the tax treatment of Reorganized Crescent Holdings income and deductions generally may be determined at the Reorganized Crescent Holdings level in a single proceeding, rather than in individual audits of the members. The Amended Crescent Holdings Operating Agreement will generally provide that the members will elect one member to be the "Tax Matters Partner" for Reorganized Crescent Holdings, as such term is defined in Section 6231(a)(7) of the Tax Code. The Tax Matters Partner will have considerable authority under the Tax Code and the Amended Crescent Holdings Operating Agreement to make decisions affecting the tax treatment and procedural rights of all members.

A member generally will not recognize gain or loss on the receipt of a distribution of cash or property from Reorganized Crescent Holdings (provided that the member is not treated as exchanging such member's share of Reorganized Crescent Holdings' "unrealized receivables" and/or certain "inventory items" (as those terms are defined in the Tax Code, and

together "ordinary income items") for other partnership property). A member, however, will recognize gain on the receipt of a distribution of money and, in some cases, marketable securities, from Reorganized Crescent Holdings (including any constructive distribution of money resulting from a reduction of the member's share of the indebtedness of Reorganized Crescent Holdings) to the extent such cash distribution or the fair market value of such marketable securities distributed exceeds such member's adjusted tax basis in its membership interest. Such distribution would be treated as gain from the sale or exchange of a membership interest.

A member will recognize gain on the complete liquidation of its membership interest only to the extent the amount of money received exceeds its adjusted tax basis in its interest. Distributions of certain marketable securities are treated as distributions of money for purposes of determining gain. Any gain recognized by a member on the receipt of a distribution from Reorganized Crescent Holdings generally will be capital gain, but may be taxable as ordinary income, either in whole or in part, under certain circumstances. No loss can be recognized on a distribution in liquidation of a membership interest, unless the member receives no property other than money and ordinary income items.

A member's adjusted tax basis in its Reorganized Holdings Units generally will be equal to such member's initial tax basis (see "Consequences to Holders of Prepetition Lender Claim—Issuance of ~~Certain~~Reorganized Holdings Units and ~~Other~~Class B Litigation Trust Interests to ~~Holdings~~Holders of Allowed Prepetition Lender Claims" above), increased by the sum of (i) any additional capital contribution such member makes to Reorganized Crescent Holdings, (ii) the member's allocable share of the income of Reorganized Crescent Holdings, and (iii) increases in the member's allocable share of the indebtedness of Reorganized Crescent Holdings, and reduced, but not below zero, by the sum of (iv) the member's allocable share of the losses of Reorganized Crescent Holdings, and (v) the amount of money or the adjusted tax basis of property distributed to such member, including constructive distributions of money resulting from reductions in such member's allocable share of indebtedness of Reorganized Crescent Holdings.

A sale of all or part of a member's interest will result in the recognition of gain or loss in an amount equal to the difference between the amount of the sales proceeds or distribution (including any constructive distribution) and such member's adjusted tax basis for the portion of the interest disposed of. Any gain or loss recognized with respect to such a sale generally will be treated as capital gain or loss, and will be long-term capital gain or loss if the interest has been held for more than one year, except to the extent that the proceeds of the sale are attributable to a member's allocable share of certain ordinary income items of Reorganized Crescent Holdings and such proceeds exceed the member's adjusted tax basis attributable to such ordinary income items. A member's ability to deduct any loss recognized on the sale of its membership interest will depend on the member's own circumstances and may be restricted under the Tax Code.

Each holder of a Prepetition Lender Claim is urged to consult its tax advisor regarding the tax consequences of directly or indirectly owning and disposing or causing to dispose of Reorganized Holdings Units.

C. Tax Treatment of the Litigation Trust and Holders of Litigation Trust Interests

The Litigation Trust is intended to qualify as a liquidating trust for U.S. federal income tax purposes. In general, a liquidating trust is not a separate taxable entity, but rather is treated for U.S. federal income tax purposes as a "grantor trust" (i.e., a pass-through entity). However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for U.S. federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Litigation Trust has been structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including, without limitation, the Debtors, the Litigation Trustee, and holders of Litigation Trust Interests) are required to treat, for U.S. federal income tax purposes, the Litigation Trust as a grantor trust of which the holders of Litigation Trust Interests are the owners and grantors. The following discussion assumes that the Litigation Trust will be so respected for U.S. federal income tax purposes. However, no ruling has been requested from the IRS and no opinion of counsel has been requested concerning the tax status of the Litigation Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position. If the IRS were to challenge successfully the classification of the Litigation Trust, the U.S. federal income tax consequences to the Litigation Trust, holders of Litigation Trust Interests and the Debtors could vary from those discussed herein (including the potential for an entity-level tax on any income of the Litigation Trust).

For a discussion of U.S. federal income tax treatment of the Litigation Trust and the holders of Litigation Trust Interests, see Section 8.10 of the Plan.

For all U.S. federal income tax purposes, all parties (including, without limitation, the Debtors, the Litigation Trustee, and holders of Litigation Trust Interests must treat the transfer of the Litigation Trust Assets to the Litigation Trust in accordance with the terms of the Plan.

The U.S. federal income tax obligations of a holder are not dependent on the Litigation Trust distributing any cash or other proceeds. Therefore, a holder may incur a U.S. federal income tax liability with respect to its allocable share of Litigation Trust income regardless of the fact that the Litigation Trust does not make a concurrent distribution to the holder. In general, a holder of a Litigation Trust Interest should not be separately taxable on a distribution of cash by the Litigation Trust .

D. Information Reporting and Withholding

All distributions to holders of Claims under the Plan are subject to any applicable tax withholding. Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 28%). Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is a United States person that is not subject to

backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax and the appropriate information is supplied to the IRS. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

In addition, from an information reporting perspective, Treasury regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

The U.S. federal income tax consequences to foreign taxpayers are not generally addressed in this summary, but such consequences are complex. Foreign holders of Allowed Prepetition Lender Claims could be subject to certain unfavorable U.S. federal income tax consequences if they elect to receive Reorganized Crescent Holdings Units instead of Crescent Investment Units pursuant to the Plan. For example, such electing foreign holders would be required to file U.S. federal income tax returns annually and would be directly liable for U.S. federal income tax on their distributive share of Reorganized Crescent Holdings' income (whether distributed or not). Foreign holders of both Crescent Investment Units and Reorganized Crescent Holdings Units will be generally subject to U.S. federal income tax upon the disposition of their units. Foreign holders of Allowed Prepetition Lender Claims are urged to consult their tax advisors concerning the receipt, ownership and disposition of Crescent Investment Units and Reorganized Crescent Holdings Units and the advisability of making such election.

The foregoing summary has been provided for informational purposes only. All holders of Claims are urged to consult their tax advisors concerning the federal, state, local and foreign tax consequences applicable under the Plan.

VIII.

SECURITIES LAW MATTERS

A. Issuance and Resale of 1145 Securities

In reliance upon section 1145 of the Bankruptcy Code, the offer and issuance of Reorganized Equity Interests (the "1145 Securities") to the holders of Allowed Claims in Classes 243 through 354 will be exempt from the registration requirements of the United States Securities Act of 1933, as amended (the "Securities Act") and equivalent provisions in state securities laws. Section 1145(a) of the Bankruptcy Code generally exempts from such registration requirements the issuance of securities if the following conditions are satisfied: (i) the securities are issued or sold under a chapter 11 plan by (a) a debtor, (b) one of its affiliates participating in a joint plan with the debtor, or (c) a successor to a debtor under the plan and (ii) the securities are issued entirely in exchange for a claim against or interest in the debtor or such affiliate, or are issued principally in such exchange and partly for cash or property. The Debtors believe that the exchange of 1145 Securities for Claims against the Debtors under the

circumstances provided in the Plan will satisfy the requirements of section 1145(a) of the Bankruptcy Code.

The 1145 Securities to be issued pursuant to the Plan will be deemed to have been issued in a public offering under the Securities Act and, therefore, may be resold by any holder thereof without registration under the Securities Act pursuant to the exemption provided by section 4(1) thereof, unless the holder is an "underwriter" with respect to such securities, as that term is defined in section 1145(b)(1) of the Bankruptcy Code, or a Statutory Underwriter (described below). In addition, such securities generally may be resold by the holders thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the individual states. However, holders of securities issued under the Plan are advised to consult with their own counsel as to the availability of any such exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(i) of the Bankruptcy Code defines "underwriter" for purposes of the Securities Act as one who (i) purchases a claim or interest with a view to distribution of any security to be received in exchange for the claim or interest, (ii) offers to sell securities issued under a plan for the holders of such securities, (iii) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution of such securities and under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan, or (iv) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act.

The reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to section 2(11) of the Securities Act purports to include as Statutory Underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. "Control" (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "control person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the voting securities of such issuer. Additionally, the legislative history of section 1145 of the Bankruptcy Code provides that a creditor who receives at least 10% of the voting securities of an issuer under a plan of reorganization will be presumed to be a Statutory Underwriter within the meaning of section 1145(b)(i) of the Bankruptcy Code.

Resales of 1145 Securities by persons deemed to be Statutory Underwriters would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, holders of 1145 Securities deemed to be "underwriters" may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act, to the extent available, and in compliance with applicable state and foreign securities laws. Generally, Rule 144 of the Securities Act provides that persons who are affiliates of an issuer who resell securities will not be deemed to be underwriters if certain conditions are met. These conditions include the requirement that current public information with respect to the issuer be available, a limitation as to the amount of

securities that may be sold in any three-month period, the requirement that the securities be sold in a "brokers transaction" or in a transaction directly with a "market maker" and that notice of the resale be filed with the SEC. The Debtors cannot assure, however, that adequate current public information will exist with respect to any issuer of 1145 Securities and therefore, that the safe harbor provisions of Rule 144 of the Securities Act will be available.

Pursuant to the Plan, certificates evidencing 1145 Securities received by restricted holders or by a holder that the Debtors determine is an underwriter within the meaning of section 1145 of the Bankruptcy Code will bear a legend substantially in the form below:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

Any person or entity entitled to receive 1145 Securities who the issuer of such securities determines to be a Statutory Underwriter that would otherwise receive legended securities as provided above, may instead receive certificates evidencing 1145 Securities without such legend if, prior to the distribution of such securities, such person or entity delivers to such issuer, (i) an opinion of counsel reasonably satisfactory to such issuer to the effect that the 1145 Securities to be received by such person or entity are not subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act and (ii) a certification that such person or entity is not an "underwriter" within the meaning of section 1145 of the Bankruptcy Code.

Any holder of a certificate evidencing 1145 Securities bearing such legend may present such certificate to the transfer agent for 1145 Securities for exchange for one or more new certificates not bearing such legend or for transfer to a new holder without such legend at such time as (i) such securities are sold pursuant to an effective registration statement under the Securities Act or (ii) such holder delivers to the issuer of such securities an opinion of counsel reasonably satisfactory to the issuer to the effect that such securities are no longer subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code or (iii) such holder delivers to the issuer an opinion of counsel reasonably satisfactory to such issuer to the effect that (x) such securities are no longer subject to the restrictions pursuant to an exemption under the Securities Act and such securities may be sold without registration under the Securities Act or (y) such transfer is exempt from registration under the Securities Act, in which event the certificate issued to the transferee will not bear such legend.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A RECIPIENT OF SECURITIES MAY BE AN UNDERWRITER OR AN AFFILIATE OF THE REORGANIZED DEBTORS, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, THE

DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF SECURITIES CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

IX.

VOTING PROCEDURES AND REQUIREMENTS

A. Voting Deadline

IT IS IMPORTANT THAT THE HOLDERS OF THE FOLLOWING CLASSES TIMELY EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN:

All known holders of Claims in Classes 243 through 363, 485, 487, 488, 489, 490, 491, and 492 through 612, as of the Record Date are entitled to vote on the Plan and have been sent a ballot together with this Disclosure Statement. Such holders should read the ballot carefully and follow the instructions contained therein. To vote, please use only the ballot that accompanies this Disclosure Statement.

The Debtors have engaged Financial Balloting Group LLC, as their Solicitation Agent to assist in the transmission of voting materials and in the tabulation of votes with respect to the Plan.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR VOTE MUST BE RECEIVED BY THE SOLICITATION AGENT AT THE STREET ADDRESS OR E-MAIL ADDRESS SET FORTH BELOW BEFORE THE VOTING DEADLINE OF 4:00 P.M., CENTRAL TIME, ON _____, 2010 (THE "VOTING DEADLINE").

IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT THE SOLICITATION AGENT AT THE NUMBER SET FORTH BELOW.

ANY PROPERLY EXECUTED, TIMELY RECEIVED BALLOT THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR A REJECTION OF THE PLAN WILL BE COUNTED AS A VOTE TO ACCEPT THE PLAN.

ANY PROPERLY EXECUTED, TIMELY RECEIVED BALLOT THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED AS A VOTE TO EITHER ACCEPT OR REJECT THE PLAN.

FAXED COPIES OF BALLOTS WILL NOT BE ACCEPTED.

IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, YOU MAY CONTACT THE SOLICITATION AGENT AT:

Financial Balloting Group LLC
757 Third Avenue, 3rd Floor,

New York, New York 10017
Telephone: (646) 282-1800

- OR –

tabulation@fbgllc.com

Additional copies of this Disclosure Statement are available upon written request made to the Solicitation Agent, at the address set forth immediately above.

B. Holders of Claims Entitled to Vote

Classes 243 through 354, 476, 477, 479, 480, and 482 through 605 are the only Classes under the Plan that are impaired and entitled to vote to accept or reject the Plan. Each holder of a Claim in any of these classes as of _____, 2010 (the Record Date established in the Disclosure Statement Order for purposes of this solicitation) may vote to accept or reject the Plan.

C. Vote Required for Acceptance by a Class

Under the Bankruptcy Code, a class of claims accepts a chapter 11 plan when it is accepted by the holders of at least two-thirds in dollar amount and more than one half in number of the allowed claims of that class that vote to accept or reject the plan. A class of interests accept a chapter 11 plan when it is accepted by at least two-thirds in amount of the interest of that class that vote to accept or reject the plan. Thus, Classes 243 through 354, 476, 477, 479, 480, and 482 through 605 will accept the Plan if at least two-thirds in dollar amount and a majority in number of the holders of that class that cast their ballots vote in favor of acceptance.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

D. Voting Procedures

1. Voting Procedures

Voting procedures will be as described in the Disclosure Statement Order.

2. Withdrawal of Ballot

Any holder of a Claim or Equity Interest that has delivered a valid ballot may withdraw its vote by delivering a written notice of withdrawal to the Solicitation Agent before the Voting Deadline. To be valid, the notice of withdrawal must (a) be signed by the party that signed the Ballot to be revoked and (b) be received by the Solicitation Agent before the Voting Deadline. The Debtors may contest the validity of any withdrawal.

Any holder that has delivered a valid ballot may change its vote by delivering to the Solicitation Agent a properly completed subsequent ballot that is received by the Solicitation

Agent before the Voting Deadline. In a case where more than one timely, properly completed ballot is received, only the ballot that bears the latest date will be counted.

X.

CONFIRMATION OF THE PLAN

A. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a plan of reorganization. As set forth in the Disclosure Statement Order, the Bankruptcy Court has scheduled the Confirmation Hearing for _____, 2010. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

B. Objections to Confirmation

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan of reorganization. Any objection to confirmation of the Plan must be in writing, must conform to the Federal Rules of Bankruptcy Procedure, must set forth the name of the objector, the nature and amount of Claims or Equity Interests held or asserted by the objector against the particular Debtor or Debtors, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to Chambers, together with proof of service thereof, and served upon and received no later than **_____, 2010 at 4:00 p.m. (prevailing Central Time).**

All objections and responses must be served, so as to be received no later than **2010, at 4:00 p.m. (prevailing Central Time)**, upon: (i) Crescent Resources, LLC, 400 South Tryon, Suite 1300, Charlotte, North Carolina 28285 (Attn: Kevin H. Lambert); (ii) Weil, Gotshal & Manges LLP, 200 Crescent Court, Suite 300, Dallas, Texas 75201 (Attn: Martin A. Sosland, Esq. and Michelle V. Larson, Esq.), counsel for the Debtors; (iii) Hohmann, Taube & Summers, L.L.P., 100 Congress Avenue, Suite 1800, Austin, Texas 78701 (Attn: Eric J. Taube, Esq.), co-counsel for the Debtors; (iv) the Office of the United States Trustee for the Western District of Texas, 903 San Jacinto Blvd., Suite 230, Austin, Texas 78701 (Attn: Henry G. Hobbs, Esq.); (v) Moore & Van Allen PLLC, 100 North Tryon Street, Suite 4700, Charlotte, North Carolina 28202 (Attn: Caroline Yingling, Esq.), counsel to Bank of America, as Agent for the Lenders; (vi) Martinec, Winn, Vickers & McElroy, P.C., 600 Congress Avenue, Suite 500, Austin, TX 78701-2957 (Attn: Joseph D. Martinec, Esq.); and (vii) Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, New York 10022 (Attn: Christopher Evans, Esq.). Bankruptcy Rule 9014 governs all objections to confirmation of the Plan.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

C. General Requirements for Confirmation

At the Confirmation Hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied:

a. The Plan complies with the applicable provisions of the Bankruptcy Code.

b. The Debtors have complied with the applicable provisions of the Bankruptcy Code.

c. The Plan has been proposed in good faith and not by any means proscribed by law.

d. Any payment made or promised by the Debtors or by a Person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

e. The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Debtors, an affiliate of the Debtors participating in a Plan with the Debtors, or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Debtors, and the nature of any compensation for such insider.

f. With respect to each class of claims or equity interests, each holder of an impaired claim or impaired equity interest either has accepted the Plan or will receive or retain under the Plan on account of such holder's claim or equity interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test" below.

g. Except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code, each class of claims or equity interests has either accepted the Plan or is not impaired under the Plan.

h. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan provides that administrative expenses and priority claims other than priority tax claims will be paid in full on the Effective Date and that priority tax claims will receive on account of such claims installment payments in cash, over a period not

exceeding five years after the Commencement Date, of a value, as of the Effective Date, equal to the allowed amount of such claims, and in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

i. At least one class of impaired claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim in such class.

j. Confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. See discussion of "Feasibility" below.

k. The Plan provides for the continuation after the Effective Date of payment of all "retiree benefits" (as defined in section 1114 of the Bankruptcy Code), at the level established pursuant to subsection 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code at any time prior to confirmation of the Plan, for the duration of the period the Debtors have obligated themselves to provide such benefits, if any.

D. Best ~~Equity~~ Interests Test

As described above, the Bankruptcy Code requires that each holder of an impaired Claim or Interest either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

The first step in meeting this test is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The gross amount of cash available would be the sum of the proceeds from the disposition of the Debtors' assets and the cash held by the Debtors at the time of the commencement of the chapter 7 case. The next step is to reduce that total by the amount of any Claims secured by such assets, the costs and expenses of the liquidation, and any additional Administrative Expenses and priority Claims that may result from the termination of the Debtors' business and the use of chapter 7 for the purposes of liquidation. Any remaining net cash would be allocated to creditors and shareholders in strict priority in accordance with section 726 of the Bankruptcy Code (see discussion below). Finally, taking into account the time necessary to accomplish the liquidation, the present value of such allocations may be compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a chapter 7 trustee in bankruptcy, as well as those that might be payable to attorneys and other professionals that such a trustee may engage, plus any unpaid expenses incurred by the Debtors during the Chapter 11 Cases and allowed in the chapter 7 cases, such as compensation for

attorneys, financial advisors, appraisers, accountants and other professionals, and costs and expenses of the Creditors' Committee or any other statutorily appointed committee. Moreover, additional Claims could arise from the Debtors' breach or rejection of obligations incurred and executory contracts or leases entered into both prior to, and during the pendency of, the Chapter 11 Cases.

The foregoing types of Claims, costs, expenses, fees and such other Claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 priority and unsecured Claims. Under the absolute priority rule, no junior creditor would receive any distribution until all senior creditors were paid in full, with interest, and no equity holder would receive any distribution until all creditors were paid in full, with interest.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in a chapter 11 case, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a chapter 7 trustee in bankruptcy and any professional advisors to such trustee, (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail, and (iii) increases in Claims that would be satisfied on a priority basis, the Debtors have determined that there would be no distribution under chapter 7 of the Bankruptcy Code to any Class of unsecured Claims or Equity Interests and, consequently, confirmation of the Plan will provide each creditor and each holder of equity securities with a recovery that is not less than it would receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

The Debtors' liquidation analysis estimates the proceeds generated from a hypothetical chapter 7 liquidation of the Debtors' assets. The Debtors base the analysis upon a number of significant assumptions which are described therein. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual liquidation.

The Debtors' chapter 7 liquidation analysis and the assumptions utilized therein are set forth in **Exhibit ~~E~~G** to this Disclosure Statement.

E. No Unfair Discrimination/Fair and Equitable Test

As provided under the Bankruptcy Code, the Bankruptcy Court may confirm a chapter 11 plan over the rejection or deemed rejection of such plan by a class of claims or interests if the chapter 11 plan "does not discriminate unfairly" and is "fair and equitable" with respect to such Class:

1. No Unfair Discrimination

This test applies to classes of claims or interests that are of equal priority and are receiving different treatment under the chapter 11 plan. The test does not require that the treatment be the same or equivalent, but rather, that such treatment be "fair."

2. Fair and Equitable Test

This test applies to classes of different priority (*e.g.*, unsecured versus secured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to the dissenting class, the test sets different standards, depending on the type of claims or interests in such class:

a. Secured Claims

Each holder of an impaired secured claim either (i) retains its Liens on the property (or if sold, on the proceeds thereof) to the extent of the allowed amount of its secured claim and receives deferred cash payments having a value, as of the effective date of the plan, of at least the allowed amount of such claim or (ii) receives the "indubitable equivalent" of its allowed secured claim.

b. Unsecured Claims

Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed unsecured claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive or retain any property under the plan of reorganization.

c. Equity Interests

Either (i) each equity interest holder will receive or retain under the plan of reorganization property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of such stock and (b) the value of the stock, or (ii) the holders of interests that are junior to the equity interests of the dissenting class will not receive or retain any property under the plan of reorganization.

The Debtors believe the Plan will satisfy both the "no unfair discrimination" requirement and the "fair and equitable" requirement notwithstanding that Class 727 is deemed to reject the Plan, because as to Class 727, there is no class of equal priority receiving more favorable treatment and no class that is junior to Class 727 that will receive or retain any property on account of the claims or equity interests in such Class.

F. Classification of Claims and Equity Interests

The Debtors believes that the Plan meets the classification requirements of the Bankruptcy Code which requires that a chapter 11 plan place each claim or equity interest into a class with other claims or equity interests that are "substantially similar." The Plan establishes Classes of Claims and Equity Interests as required by the Bankruptcy Code; these Classes are summarized above. Consistent with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, and Priority Tax Claims are not classified.

G. Feasibility

The Bankruptcy Code requires a debtor to demonstrate that confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor unless so provided by the plan of reorganization. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their financial obligations as contemplated thereunder. As part of this analysis, the Debtors have prepared the Projected Financial Statements set forth in **Exhibit ~~D~~F** to this Disclosure Statement. Certain selected financial information from the Projected Financial Statements and certain key financial ratios are set forth in Section V, "FINANCIAL INFORMATION, PROJECTIONS AND VALUATION ANALYSIS." These projections are based upon the assumption that the Bankruptcy Court will confirm the Plan and, for projection purposes, that the Effective Date of the Plan and its substantial consummation will take place within 180 days after entry of the Confirmation Order. Based upon the Projected Financial Statements, the Debtors believe they will be able to make all payments required to be made pursuant to the Plan.

XI.

CONCLUSION

The Debtors believe the Plan is in the best interests of all holders of Claims and Equity Interests and urges the holders of impaired Claims and Equity Interests in Classes 243 through 354, 476, 477, 479, 480, and 482 through 605 to vote to accept the Plan and to evidence acceptance by returning their ballots such that the Solicitation Agent will received the ballots no later than _____, 2010.

Dated: ~~January 29,~~March 11, 2010
Austin, Texas

Respectfully submitted,

Crescent 210 Barton Springs, LLC

By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CORNERSTONE PLAZA, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT HOLDINGS, LLC

By: */s/ Andrew Hede*
Andrew Hede
Authorized Person

CRESCENT RESOURCES, LLC
By: */s/ Andrew Hede*
Andrew Hede
Authorized Person

1780, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

223 DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

BALLANTYNE PROPERTIES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

BARTRAM CRESCENT DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

BLACK FOREST ON LAKE JAMES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

BRIDGEWATER LAKELAND DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

BROOKSVILLE EAST DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CAMP LAKE JAMES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CAROLINA CENTERS, LLC (N.C. ENTITY)
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CAROLINA CENTERS, LLC (DEL. ENTITY)
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CHAPARRAL PINES INVESTORS, L.L.C.
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CHAPARRAL PINES MANAGEMENT, L.L.C.
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CHAPEL COVE AT GLENGATE, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CITALL DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CLEAN WATER OF NC, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CLT DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CLUB CAPITAL, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CLUB ENTERPRISES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CLUB VILLAS DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

COLBERT LANE COMMERCIAL, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT COMMUNITIES N.C., LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT COMMUNITIES REALTY, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT COMMUNITIES SC, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT LAKEWAY, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT LAKEWAY MANAGEMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT LAND & TIMBER, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT MULTIFAMILY CONSTRUCTION, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT POTOMAC GREENS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT POTOMAC PLAZA, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT POTOMAC PROPERTIES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT POTOMAC YARD DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT POTOMAC YARD, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT REALTY ADVISORS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT REALTY, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT RIVER, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT ROUGH HOLLOW, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT SEMINOLE, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT SOUTHEAST CLUB, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT TWIN CREEKS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT YACHT CLUB, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT/ARIZONA, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT/FLORIDA, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT/GEORGIA, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

CRESCENT/RGI CAPITAL, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

FALLS COVE DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

FP REAL ESTATE ONE, L.L.C.
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

GRAND HAVEN DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

GRAND WOODS DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

GREEN FIELDS INVESTMENTS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

GULF SHORES WATERWAY DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

HAMMOCK BAY CRESCENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

HAMPTON LAKES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

HAMPTON RIDGE DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

HAWK'S HAVEN DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

HAWK'S HAVEN GOLF COURSE COMMUNITY DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

HAWK'S HAVEN JOINT DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

HAWK'S HAVEN SPONSOR, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

HEADWATERS DEVELOPMENT LIMITED PARTNERSHIP
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

HIDDEN LAKE CRESCENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

JOINT FACILITIES MANAGEMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

LAKE GEORGE DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

LANDMAR GROUP, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

LANDMAR MANAGEMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

LIGHTHOUSE HARBOR DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

MAY RIVER FOREST, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

MAY RIVER GOLF CLUB, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

MCNINCH-HILL INVESTMENTS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

MILFORD ESTATES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

NEW RIVERSIDE, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

NINE CORPORATE CENTRE HOLDING COMPANY, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

NORTH BANK DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

NORTH HAMPTON, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

NORTH RIVER, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

OLD WILDLIFE CLUB, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

OLDFIELD, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

OSPREY DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PALMETTO BLUFF CLUB, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PALMETTO BLUFF DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PALMETTO BLUFF INVESTMENTS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PALMETTO BLUFF LODGE, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PALMETTO BLUFF REAL ESTATE COMPANY, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PALMETTO BLUFF UPLANDS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PANAMA CITY DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PARK/MARSH, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PARKSIDE DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PIEDMONT ROW DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

PORTLAND GROUP, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

~~RIM GOLF INVESTORS, L.L.C.~~
~~By: */s/ Kevin H. Lambert*~~
~~Kevin H. Lambert~~
~~Authorized Person~~

RIVER PARADISE, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

ROBERTS ROAD, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

SAILVIEW PROPERTIES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

SEDDON PLACE DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

SPRINGFIELD CRESCENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

STONEWATER BAY PROPERTIES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

STRATFORD ON HOWARD DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

SUGARLOAF COUNTRY CLUB, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

SUGARLOAF PROPERTIES, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

SUGARLOAF REALTY, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE FARMS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE OLDFIELD REALTY COMPANY, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE PARKS AT MEADOWVIEW, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE PARKS OF BERKELEY, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE POINT ON NORMAN, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE RANCH AT THE RIM, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE RESERVE, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE RETREAT ON HAW RIVER, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE RIVER CLUB REALTY, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE RIVER COUNTRY CLUB, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

THE SANCTUARY AT LAKE WYLIE, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

TROUT CREEK DEVELOPERS, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

TUSSAHAW DEVELOPMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

TWIN CREEKS HOLDINGS, LTD.
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

TWIN CREEKS MANAGEMENT, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

TWIN CREEKS OPERATING CO., L.P.
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

TWIN CREEKS PROPERTY, LTD.
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

TWO LAKE PONY FARM, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

WINDING RIVER, LLC
By: */s/ Kevin H. Lambert*
Kevin H. Lambert
Authorized Person

Eric J. Taube (19679350)
Mark C. Taylor (19713225)
HOHMANN, TAUBE & SUMMERS, L.L.P
100 Congress Avenue, Suite 1800
Austin, Texas 78701
Telephone: (512) 472-5997
Facsimile: (512) 472-5248

Martin A. Sosland (18855645)
Lydia T. Protopapas (00797267)
WEIL, GOTSHAL & MANGES LLP
200 Crescent Court, Suite 300
Dallas, Texas 75201
Telephone: (214) 746-7700
Facsimile: (214) 746-7777

Marcia L. Goldstein *(pro hac vice)*
WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007

ATTORNEYS FOR DEBTORS AND
DEBTORS IN POSSESSION

EXHIBIT A

The Plan
(to be filed as a separate document)

EXHIBIT B

~~Exhibit to be provided.~~

EXHIBIT C

EXHIBIT D

EXHIBIT E

EXHIBIT F

EXHIBIT G

Document comparison by Workshare Professional on Thursday, March 11, 2010 1:39:45 PM

Input:	
Document 1 ID	interwovenSite://USDMS/US_ACTIVE/43295110/1
Description	#43295110v1<US_ACTIVE> - Crescent_DISCLOSURE STATEMENT (FILED)
Document 2 ID	interwovenSite://USDMS/US_ACTIVE/43332956/1
Description	#43332956v1<US_ACTIVE> - Crescent Resources_First Amended DISCLOSURE STATEMENT
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	945
Deletions	790
Moved from	24
Moved to	24
Style change	0
Format changed	0
Total changes	1783