

**Why does Crosstex trade under two ticker symbols?**

Crosstex offers two equity securities for investment: Crosstex Energy, L.P. (the Partnership) (NASDAQ:XTEX) and Crosstex Energy, Inc. (the Corporation) (NASDAQ:XTXI).

The Partnership is a master limited partnership (MLP) that owns and operates the assets of our midstream energy business. Units associated with the Partnership are traded on the NASDAQ.

Crosstex Energy, Inc. is structured as a typical "C" corporation. This business model provides institutions that are restricted from direct MLP investments with a means of participating in the Partnership's growth through common share ownership. Many traditional institutions have difficulty dealing with certain tax issues related to MLP ownership, including tax reporting.

The Corporation's cash flow consists of cash distributions from the Partnership on the partnership interest owned from which cash dividends are paid to common shareholders. The Partnership is required to distribute its cash on hand at the end of each quarter, less reserves established by the general partner to provide for the proper conduct of the Partnership's business or provide for future distributions.

Crosstex Energy, Inc.'s assets consist almost exclusively of partnership interests in Crosstex Energy, L.P. Crosstex Energy, Inc. owns the general partner of Crosstex Energy, L.P. and, as such, indirectly owns combined general and limited partner interests of approximately 19% and the incentive distribution rights of Crosstex Energy, L.P. (escalating rights to share in the MLP's cash distributions to the extent quarterly distributions exceed \$0.25 per common unit).

**What is a Master Limited Partnership (MLP)?**

An MLP is a publicly traded limited partnership. To qualify as an MLP, at least 90 percent of a partnership's income must be "qualifying income," which generally includes certain types of income and gains derived from, among others, minerals or natural resources. Ownership of limited partner interests in MLPs are designated in units, and combine the tax advantages of a partnership with the liquidity of a publicly traded stock.

**What are the benefits of the MLP structure?**

MLPs are not subject to U.S. federal corporate income taxes and therefore allow for more pass-through income for investors. An MLP avoids the "double taxation" generally applied to corporations (under which the corporation pays taxes on its income and the corporation's shareholders pay taxes when the corporation distributes its income via a dividend).

**What is the difference between the distributions and dividends paid by Crosstex?**

MLPs generally pay out all “available cash” to unitholders in the form of distributions (subject to determination of a company’s Board of Directors). In addition, MLPs generally distribute all taxable income and loss to the unit holders. In our case, most cash distributions have had a “tax shield” as a result of the distribution of taxable losses.

Crosstex currently pays both distributions to holders of units of the Partnership and dividends to the holders of shares of the Corporation. The dividends paid by XTXI, the Corporation, have been (and are expected to continue to be) either a return of capital or qualified dividend income.

**What are incentive distribution rights?**

Incentive distribution rights, or IDRs, provide the general partner performance-based pay for successfully managing the MLP, which is measured by cash distributions to the limited partners. The amount the general partner receives depends on the level of payment made to limited partner unitholders.

**What percentage of the distribution does the general partner receive in IDRs?**

Under the quarterly incentive distribution provisions, the General Partner is entitled to 13.0% of amounts the Partnership distributes in excess of \$0.25 per unit, 23.0% of the amounts the Partnership distributes in excess of \$0.3125 per unit and 48.0% of amounts the Partnership distributes in excess of \$0.375 per unit.