



WELL
POSITIONED

*Crosstex Energy's strategy
for performance & growth.*



CROSSTEX

LETTER

TO FELLOW OWNERS

The past eighteen months presented major challenges for our industry and our economy — but with firmly defined priorities and decisive execution, Crosstex was well prepared to meet each obstacle and deliver successful results. By maintaining a clear focus and taking bold actions, we ended the year well positioned for a more profitable and robust 2010, and a more promising long-term future. In 2009, we refocused on our core assets in North Texas and Louisiana, successfully executed the sale of non-core assets and used the cash generated to pay down debt. We also delivered strong cash flow by cutting costs and increasing operating efficiencies, which enhanced our margins and operating results substantially. And we significantly strengthened our balance sheet, reducing our leverage by more than \$600 million and improving our financial flexibility.

We believe 2010 is off to a great start. Today, Crosstex is a leaner organization, and we continue to focus on maximizing operating efficiencies and taking advantage of low risk, high-return growth opportunities in the Barnett and Haynesville shale regions. Our strategy received a significant endorsement when Blackstone/GSO Capital Solutions, one of the world's most respected investment and advisory firms, purchased \$125 million of convertible preferred Crosstex units. We have now completely refinanced our debt, creating a long-term capital structure with great financial flexibility as we work toward our goal of restoring distributions

and dividends. And we have maintained strong customer relationships with a committed workforce made up of some of the best employees in the industry.

Looking ahead, 2010 will be a year of opportunity as markets recover and natural gas drilling rebounds. Industry analysts estimate that recoverable domestic gas reserves are greater now than ever. At Crosstex, we are strong believers in natural gas, as a clean energy alternative that will help satisfy the nation's growing energy needs for generations to come. We are confident that Crosstex is in the right place at the right time. Our valuable asset base, strategically located in the midst of the nation's largest and most active natural gas plays, positions us to benefit and prosper from the future growth of the domestic natural gas industry.

Throughout the history of Crosstex, our goal has remained the same: to create value for our investors, customers and employees. With high-quality assets and a strategic plan for the future, we are well positioned for success in the years to come. On behalf of the entire Crosstex team, thank you for your continued support.

BARRY E. DAVIS

President and Chief Executive Officer



THREE KEY AREAS OF FOCUS:

1

**BARNETT
SHALE**

North Texas

2

**HAYNESVILLE
SHALE**

Louisiana

3

**GULF COAST
PROCESSING**

*South Louisiana Processing
& Natural Gas Liquids*

A WELL FOCUSED COMPANY

IN 2009, U.S. NATURAL GAS PRODUCTION WAS ABOUT 22 TRILLION CUBIC FEET (TCF), AN INCREASE OF 3.7% OVER THE PREVIOUS YEAR.

SOURCE: U.S. ENERGY INFORMATION ADMINISTRATION: INDEPENDENT STATISTICS AND ANALYSIS

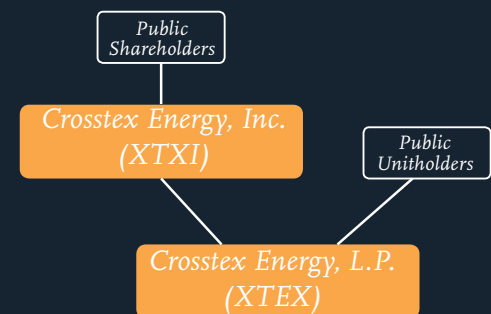
WHO WE ARE

Crosstex Energy is a Dallas-based midstream natural gas company engaged in the gathering, transmission, processing and fractionation of natural gas and natural gas liquids. We own and operate 3,300 miles of pipeline, nine processing plants and three fractionators, providing services for 3.2 billion cubic feet of natural gas per day (Bcf/d), or about six percent of marketed U.S. daily production. Natural gas reserves are currently estimated to be greater now than at any time in the past. We believe we are well positioned to benefit and prosper from the bright future of the domestic natural gas industry.

XTEX or XTXI?

The public has two opportunities to invest in our business, through Crosstex Energy, L.P. (XTEX) and Crosstex Energy, Inc. (XTXI). XTEX is a master limited partnership (MLP) that owns the operating assets of our business. MLPs generally are not subject to federal income tax, and items of income, gain, loss and deduction are passed through to the partners. In early 2010, Blackstone/GSO Capital Solutions made a significant \$125 million equity investment in XTEX, which gives them 22% ownership interest.

XTXI is a holding company that indirectly owns (i) the 2% general partner interest in XTEX, (ii) 16,414,830 (approximately 25%) of the limited partnership units of XTEX and (iii) 100% of the incentive distribution rights of XTEX (which are escalating rights to XTEX distributions to the extent quarterly distributions exceed \$0.25 per common unit). XTXI is structured as a typical "C" corporation, which facilitates ownership by institutional investors that are restricted from direct investments in MLPs.



NASDAQ symbols:
XTEX (MLP)
XTXI (Corporation)

WELL POSITIONED FOR PERFORMANCE AND GROWTH

STRATEGICALLY
LOCATED ASSETS
IN MAJOR
SHALES PLAYS

OUR STRATEGICALLY LOCATED ASSETS ARE WELL POSITIONED FOR PERFORMANCE AND GROWTH IN THE BARNETT AND HAYNESVILLE SHALES AND THE LOUISIANA GULF COAST. AS THE ECONOMY RECOVERS AND NATURAL GAS DRILLING REBOUNDS, WE BELIEVE OUR FUTURE HOLDS TREMENDOUS OPPORTUNITY FOR US AS WE FOCUS ON GROWTH IN THESE PROLIFIC, ENERGY-RICH REGIONS.

THE BARNETT SHALE IS CURRENTLY THE LARGEST NATURAL GAS PRODUCING FIELD IN THE U.S.

Source: U.S. Department of Energy

1. BARNETT SHALE:

Most of Crosstex's North Texas assets are in the heart of the Barnett Shale, one of the largest on-shore natural gas fields in the United States. Currently, the Barnett Shale play is producing about 70 percent of our nation's shale gas. The field produced more than six trillion cubic feet of gas from 2000-2009, with annual production now exceeding one trillion cubic feet of gas, reinforcing that it is a valuable source of clean-burning fuel. According to a recent study, approximately 50 percent of future Barnett drilling is expected within three miles of our existing infrastructure, which will allow Crosstex to benefit from the field's continued development for years to come. The Barnett is a strong, stable and desirable resource play, and we are optimistic about its future.

THE HAYNESVILLE SHALE ACCOUNTS FOR 10.4 PERCENT OF ALL OIL AND GAS EXPLORATION IN THE UNITED STATES.

Source: Louisiana Department of Natural Resources

3. GULF COAST PROCESSING:

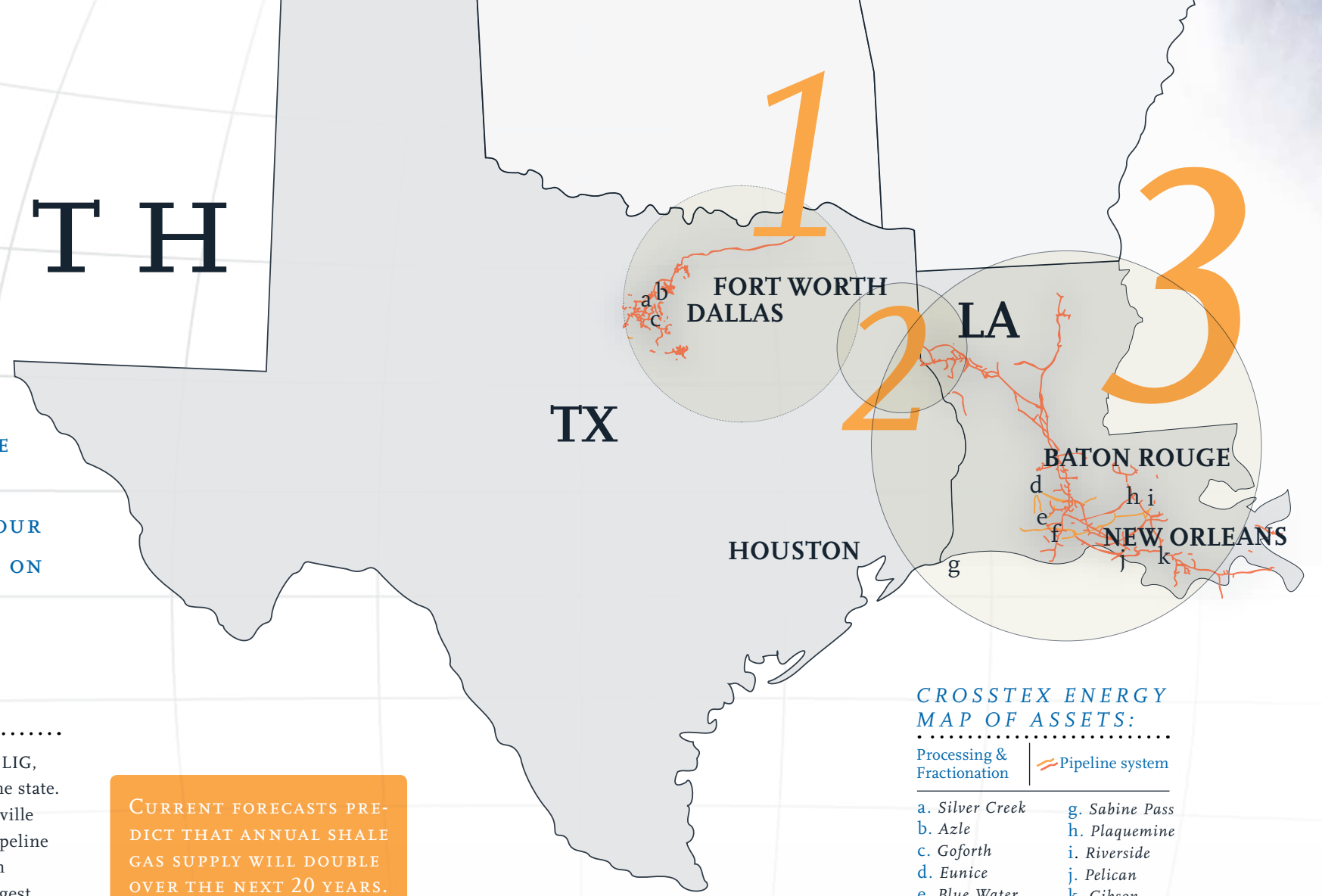
Our integrated processing and natural gas liquids (NGL) assets are situated in the middle of the prolific Gulf Coast onshore and offshore producing region, and amidst petrochemical and refinery markets as well as major gas pipelines connecting to Midwest and East Coast markets. As part of our plan to expand our NGL business, in 2009 we completed two transactions to enhance these assets by improving our operating efficiencies. We acquired the Eunice NGL processing plant and fractionation facility, which will increase profitability. And we purchased the 60-mile Intracoastal NGL pipeline, which gives us another competitive advantage in the region. Successful gas exploration and production in the Gulf of Mexico is a positive, leading indicator of future business for Crosstex in this market. We also see additional near-term projects on the horizon that will boost the utilization and value of our NGL assets including opportunities created by the development of new shale discoveries, such as the Marcellus.

2. HAYNESVILLE SHALE:

In Louisiana, Crosstex owns and operates LIG, one of the largest intrastate pipelines in the state. LIG provides gas producers in the Haynesville Shale with essential access to interstate pipeline outlets and industrial markets in southern Louisiana. The Haynesville, one of the largest shale gas plays in the continental U.S., is a major, growing energy resource. Experts predict annual production in this region could increase 1 billion cubic feet per day (Bcf/d) for the next several years from the current level of approximately 1.5 Bcf/d. Our assets are located in the Haynesville's key producing areas, where we will continue to focus on near-term expansion projects to accommodate current and future development activity.

CURRENT FORECASTS PREDICT THAT ANNUAL SHALE GAS SUPPLY WILL DOUBLE OVER THE NEXT 20 YEARS.

Source: The INGAA Foundation, Inc.

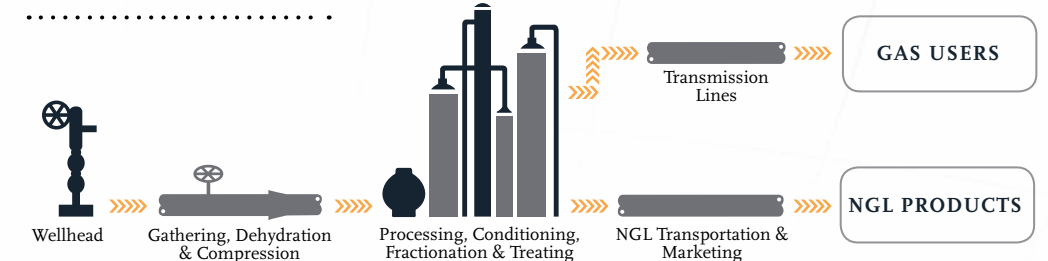


CROSSTEX ENERGY MAP OF ASSETS:

Processing & Fractionation | Pipeline system

- a. Silver Creek
- b. Azle
- c. Goforth
- d. Eunice
- e. Blue Water
- f. Cow Island
- g. Sabine Pass
- h. Plaquemine
- i. Riverside
- j. Pelican
- k. Gibson

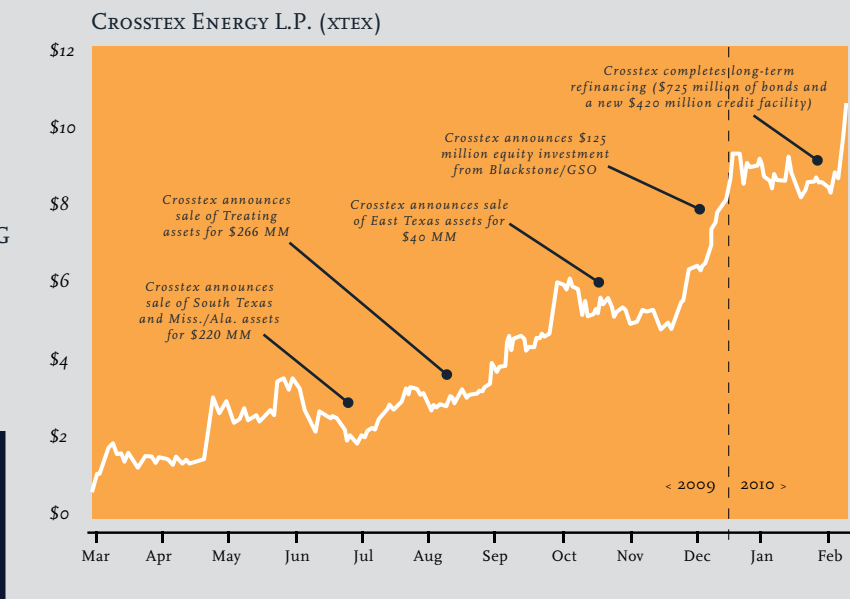
HOW WE WORK:



WELL POSITIONED FOR FINANCIAL STABILITY

- DELIVERED SOLID 2009 FINANCIAL RESULTS WITH OVER 3.4 BCF/D OF NATURAL GAS GATHERING, TRANSPORTATION AND PROCESSING VOLUMES AND OVER \$300 MILLION OF GROSS MARGIN
- STRENGTHENED THE BALANCE SHEET BY PAYING DOWN DEBT AND COMPLETING A SUCCESSFUL RECAPITALIZATION
- IMPROVED CASH FLOWS BY REDUCING COSTS AND MAXIMIZING OPERATING EFFICIENCIES
- REDUCED THE BUSINESS RISK BY LOWERING COMMODITY EXPOSURE
- DEVELOPED CONSERVATIVE FINANCIAL GUIDELINES FOR RUNNING THE BUSINESS AND FOR SETTING DISTRIBUTIONS

WELL EXPERIENCED MANAGEMENT TEAM



Crosstex Energy's senior management team has many years of experience in the midstream sector. They are energy industry professionals who are proud to lead such an exceptional group of talented, dedicated employees. The management team's strategy: grow with excellence. They are committed to delivering success.

OUR MISSION:

Our mission is to provide energy services that improve the quality of business for our customers, the quality of life for our employees and the returns for our stakeholders.

OUR VISION:

At Crosstex, we are always focused on building a great company that is made to last. Our vision is to be the premier midstream energy services company by efficiently operating and developing our assets, while remaining true to our core values. Our disciplined execution, teamwork and communication position us for continued growth in our core asset positions, as well as restored financial strength and market credibility.

OUR VALUES:

EXCELLENCE • ETHICS • EMPLOYEE FOCUS • ENTHUSIASM

The values upon which we founded our business continue to guide us today. With a well-balanced strategy emphasizing Crosstex values, employees, customers, growth and returns, we're confident that our focus on delivering success will bring excellent returns for years to come.

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CROSSTEX

NASDAQ:
XTX (MLP) | XTIX (Corporation)