

Effect on U.S. Tax Basis

Quarterly Non Dividend Distributions Paid August 14, 2012

Section 6045B Reporting

United States Internal Revenue Service Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

Purpose:

Section 6045B of the Internal Revenue Code of 1986, as amended ("Code"), requires an issuer of stock to provide to the United States Internal Revenue Service ("IRS") and to the holders of stock certain information on organizational actions that affect the tax basis of such stock for United States federal income tax purposes. Under Treasury Regulation § 1.6045B-1(a)(3) and (b)(4), an issuer may comply with these requirements by posting such information on its public Web site.

Issuer:

Crosstex Energy, Inc. ("CEI")

Issuer TIN:

52-2235832

Description of Organizational Action:

On August 14, 2012 each holder of record of CEI's Common Stock as of the close of business on August 1, 2012 received cash distributions, per share, in the amount of \$.12 (the "Distributions").

The United States Internal Revenue Service has ruled that these Distributions do not qualify as a taxable dividend distribution. Based on available information and under the rules of the United States Internal Revenue Code, CEI expects that the Form 1099s it provides to shareholders will characterize the Distributions as nondividend distributions in taxable year 2012.

Securities Involved:

CEI Common Stock ("Common Stock")

CUSIP: 22765Y104

NASDAQ Ticker Symbol: XTXI

Effects on Tax Basis:

For United States federal income tax purposes, CEI expects that the Form 1099s it provides to shareholders will characterize the Distributions as nondividend distributions under section 301(c) of the Code in taxable year 2012 in an amount of \$.12 per share.

All holders should consult their own tax advisors regarding the United States federal and other tax consequences of the Distributions.

Contact Person:

If you have any questions, please contact:

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