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CRESCENT REAL ESTATE EQUITIES CO

Form 8-K

January 08, 2004

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DECEMBER 31, 2003

(Date of Earliest Event Reported)

CRESCENT REAL ESTATE EQUITIES COMPANY

(Exact Name of Registrant as Specified in its Charter)

TEXAS	1-13038	52-1862813
-----	-----	-----
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

777 MAIN STREET, SUITE 2100, FORT WORTH, TX	76102
-----	-----
(Address of Principal Executive Offices)	(Zip Code)

(817) 321-2100

(Registrant's Telephone Number, Including Area Code)

NOT APPLICABLE

(Former Name or Former Address, if Changed Since Last Report)

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

As used in this Form 8-K, the term "Company" means, unless the context otherwise requires, Crescent Real Estate Equities Company, a Texas real estate investment trust, and its direct and indirect subsidiaries, including Crescent Real Estate Equities Limited Partnership, a Delaware limited partnership (the "Operating Partnership"), and subsidiaries of the Operating Partnership.

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Crescent Real Estate Equities Company is filing this Form 8-K to report the disposition of the Company's interests in the Woodlands, Texas. The Woodlands is a 27,000-acre, mixed-use, master-planned community north of Houston, Texas, consisting of office properties, commercial acreage, a hotel and conference center and residential development property.

On December 31, 2003, the Company sold all of its interests in The Woodlands, Texas to TWC Operating LP, a Delaware limited partnership and a subsidiary of The Rouse Company, L.P., a Delaware limited partnership. The interests sold by the Company consist of the following:

- o A 52.5% economic interest, including a 10% earned promotional interest, in The Woodlands Land Development Company, L.P., through which the Company owned its interest in The Woodlands Land Company, Inc., the owner of The Woodlands Residential Development Property;
- o A promissory note due in 2007 in the original principal amount of \$10,625,000 from The Woodlands Land Development Company, L.P.;
- o A 75% interest in Woodlands Office Equities - '95 Limited Partnership, through which the Company owned its interests in four Office Properties located in The Woodlands;
- o A 52.5% economic interest, including a 10% earned promotional interest, in The Woodlands Commercial Properties Company, L.P.; and
- o A 52.5% economic interest, including a 10% earned promotional interest, in The Woodlands Operating Company, L.P.

Total consideration to the Company for the sale of its interests in The Woodlands was \$387 million, approximately \$202 million in cash and approximately \$185 million in assumption of debt. The Company received approximately \$18 million of the \$202 million cash component prior to closing in the form of partnership distributions net of working capital adjustments. The debt represents 52.5% of the debt of the partnerships through which Crescent held its interests in the Woodlands.

The Company has agreed to use approximately \$126 million of the net proceeds from the sale of its interests in The Woodlands, together with the assumption of approximately \$97 million of mortgage debt, to acquire from the Rouse Company, L.P. its interests in the eight Class A office properties and nine leased restaurant parcels in Hughes Center in Las Vegas, Nevada.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(b) Pro Forma Financial Information.

Pro Forma Consolidated Balance Sheet as of September 30, 2003 and notes thereto.....
Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2003 and notes thereto.....
Pro Forma Consolidated Statement of Operations for the year ended December 31, 2002 and notes thereto.....

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CRESCENT REAL ESTATE EQUITIES COMPANY

Dated: January 7, 2004

By: /s/ JERRY R. CRENSHAW, JR.

Name: Jerry R. Crenshaw, Jr.
Title: Executive Vice President
and Chief Financial Officer

INDEX TO FINANCIAL STATEMENTS

PRO FORMA FINANCIAL STATEMENTS FOR CRESCENT REAL ESTATE EQUITIES COMPANY (UNAUDITED)
Pro Forma Consolidated Balance Sheet as of September 30, 2003 and notes thereto.....
Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2003 and notes thereto.....
Pro Forma Consolidated Statement of Operations for the year ended December 31, 2002 and notes thereto.....

F-1

Pro Forma Financial Information

The following unaudited pro forma consolidated financial statements are based upon Crescent Real Estate Equities Company's historical financial statements and give effect to the following transactions.

- o The sale of the Company's interest in the Woodlands, Texas, which consisted of
 - o A 52.5% economic interest, including a 10% earned promotional interest, in The Woodlands Land Development Company, L.P., through which the Company owned its interest in The Woodlands Land Company, Inc., the owner of The Woodlands Residential Development Property;
 - o A promissory note due in 2007 in the original

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principal amount of \$10,625,000 from The Woodlands Land Development Company, L.P.;

- o A 75% interest in Woodlands Office Equities - '95 Limited Partnership, through which the Company owned its interests in four Office Properties located in The Woodlands;
 - o A 52.5% economic interest, including a 10% earned promotional interest, in The Woodlands Commercial Properties Company, L.P.; and
 - o A 52.5% economic interest, including a 10% earned promotional interest, in The Woodlands Operating Company, L.P.
- o The assumed application of the \$152.2 million in net cash proceeds, after estimated transaction costs and taxes, from the sale.

The unaudited pro forma consolidated balance sheet as of September 30, 2003 is presented as if these transactions had been completed on September 30, 2003. The unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2003 and the year ended December 31, 2002 are presented as if these transactions had occurred as of January 1, 2002.

In management's opinion, all adjustments necessary to reflect the above discussed transactions have been made. The unaudited pro forma consolidated balance sheet and statements of operations are not necessarily indicative of what actual results of operations of the Company would have been for the periods presented, nor does it purport to predict the Company's results of operations for future periods.

F-2

Crescent Real Estate Equities Company
 Unaudited Pro Forma Consolidated Balance Sheet
 As of September 30, 2003
 (dollars in thousands)

	Crescent Real Es Equities -----
ASSETS:	
Investments in real estate:	
Land	\$ 315
Building and improvements, net of accumulated depreciation of \$734,370	2,201
Furniture, fixtures and equipment, net of accumulated depreciation of \$69,487	62
Land held for investment or development	470
Properties held for disposition, net	87

Net investment in real estate	3,138
Cash and cash equivalents	63
Restricted cash and cash equivalents	106

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Accounts receivable, net	39
Deferred rent receivable	62
Investments in unconsolidated companies	543
Notes receivable, net	108
Income tax asset-current and deferred, net	54
Other assets, net	180

Total assets	\$ 4,297
	=====
LIABILITIES:	
Borrowings under Credit Facility	\$ 314
Notes payable	2,261
Accounts payable, accrued expenses and other liabilities	351

Total liabilities	2,927

MINORITY INTERESTS:	
Operating partnership, 8,873,347 units	109
Consolidated real estate partnerships	37

Total minority interests	146

SHAREHOLDERS' EQUITY:	
Preferred shares, \$0.01 par value, authorized 100,000,000 shares:	
Series A Convertible Cumulative Preferred Shares,	
liquidation preference of \$25.00 per share,	
10,800,000 shares issued and outstanding	248
Series B Cumulative Preferred Shares,	
liquidation preference of \$25.00 per share,	
3,400,000 shares issued and outstanding	81
Common shares, \$0.01 par value, authorized 250,000,000 shares,	
124,298,763 shares issued and outstanding	1
Additional paid-in capital	2,243
Deferred compensation on restricted shares	(5)
Accumulated deficit	(868)
Accumulated other comprehensive income (loss)	(17)

	1,683
Less - shares held in treasury, at cost, 25,127,388 common shares	(460)

Total shareholders' equity	1,223

Total liabilities and shareholders' equity	\$ 4,297
	=====

Other Woodla
Entities

ASSETS:
Investments in real estate:

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Land	\$	-
Building and improvements, net of accumulated depreciation of \$734,370		-
Furniture, fixtures and equipment, net of accumulated depreciation of \$69,487		-
Land held for investment or development		-
Properties held for disposition, net		(16,57)

Net investment in real estate		(16,57)
Cash and cash equivalents		(2)
Restricted cash and cash equivalents		-
Accounts receivable, net		(
Deferred rent receivable		(18)
Investments in unconsolidated companies		(32,11)
Notes receivable, net		-
Income tax asset-current and deferred, net		(1,23)
Other assets, net		(32)

Total assets	\$	(50,44)
		=====
 LIABILITIES:		
Borrowings under Credit Facility	\$	-
Notes payable		(1,74)
Accounts payable, accrued expenses and other liabilities		1,03

Total liabilities		(71)

 MINORITY INTERESTS:		
Operating partnership, 8,873,347 units		-
Consolidated real estate partnerships		28

Total minority interests		28

 SHAREHOLDERS' EQUITY:		
Preferred shares, \$0.01 par value, authorized 100,000,000 shares:		
Series A Convertible Cumulative Preferred Shares,		
liquidation preference of \$25.00 per share,		
10,800,000 shares issued and outstanding		-
Series B Cumulative Preferred Shares,		
liquidation preference of \$25.00 per share,		
3,400,000 shares issued and outstanding		-
Common shares, \$0.01 par value, authorized 250,000,000 shares,		
124,298,763 shares issued and outstanding		-
Additional paid-in capital		-
Deferred compensation on restricted shares		-
Accumulated deficit		(50,02)
Accumulated other comprehensive income (loss)		-

		(50,02)
Less - shares held in treasury, at cost, 25,127,388 common shares		-

Total shareholders' equity		(50,02)

Total liabilities and shareholders' equity	\$	(50,44)
		=====

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	Consolidate

ASSETS:	
Investments in real estate:	
Land	\$ 308,02
Building and improvements, net of accumulated depreciation of \$734,370	2,201,65
Furniture, fixtures and equipment, net of accumulated depreciation of \$69,487	62,68
Land held for investment or development	470,81
Properties held for disposition, net	71,13

Net investment in real estate	3,114,30
Cash and cash equivalents	63,45
Restricted cash and cash equivalents	106,67
Accounts receivable, net	39,96
Deferred rent receivable	62,28
Investments in unconsolidated companies	472,83
Notes receivable, net	96,93
Income tax asset-current and deferred, net	59,98
Other assets, net	179,95

Total assets	\$ 4,196,40
	=====
 LIABILITIES:	
Borrowings under Credit Facility	\$ 162,30
Notes payable	2,260,22
Accounts payable, accrued expenses and other liabilities	352,29

Total liabilities	2,774,82

 MINORITY INTERESTS:	
Operating partnership, 8,873,347 units	109,18
Consolidated real estate partnerships	37,97

Total minority interests	147,15

 SHAREHOLDERS' EQUITY:	
Preferred shares, \$0.01 par value, authorized 100,000,000 shares:	
Series A Convertible Cumulative Preferred Shares,	
liquidation preference of \$25.00 per share,	
10,800,000 shares issued and outstanding	248,16
Series B Cumulative Preferred Shares,	
liquidation preference of \$25.00 per share,	
3,400,000 shares issued and outstanding	81,92
Common shares, \$0.01 par value, authorized 250,000,000 shares,	
124,298,763 shares issued and outstanding	1,23
Additional paid-in capital	2,243,38
Deferred compensation on restricted shares	(5,25)
Accumulated deficit	(817,29)
Accumulated other comprehensive income (loss)	(17,49)

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	1,734,66
Less - shares held in treasury, at cost, 25,127,388 common shares	(460,24

Total shareholders' equity	1,274,42

Total liabilities and shareholders' equity	\$ 4,196,40
	=====

See accompanying notes to Pro Forma Consolidated Balance Sheet
F-3

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
(dollars in thousands)

The following describes the pro forma adjustments to the Unaudited Pro Forma Consolidated Balance Sheet as of September 30, 2003 as if the transactions described in the first paragraph of "Pro Forma Financial Information" were completed on September 30, 2003.

- (A) Reflects Crescent Real Estate Equities Company's unaudited consolidated historical Balance Sheet as of September 30, 2003.
- (B) Reflects an adjustment to remove the historical balance sheet of The Woodlands Land Development Company, L.P.
- (C) Reflects an adjustment to remove the historical balance sheets of Woodlands Office Equities - '95 Limited Partnership, The Woodlands Commercial Property Company, L.P., and The Woodlands Operating Company, L.P.
- (D) Assumes that the \$152.2 million net cash proceeds, after estimated transaction costs and taxes, were used to pay down the Company's Credit Facility. However, the Company has agreed to use approximately \$126 million of the net cash proceeds, together with the assumption of \$97 million of mortgage debt, to purchase the eight Class A office properties and nine leased restaurant parcels in Hughes Center in Las Vegas, Nevada.

Cash proceeds	\$ 183,700
Estimated transaction costs	6,500
Estimated cash taxes	25,000

Assumed pay down on Credit Facility	\$ 152,200
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Crescent Real Estate Equities Company
 Unaudited Pro Forma Consolidated Statement of Operations
 For the nine months ended September 30, 2003
 (dollars in thousands, except share data)

	Crescent Real Estate Equities Company	(A)	The W Land
	-----		-----
REVENUE:			
Office Property	\$ 375,996		\$
Resort/Hotel Property	170,122		
Residential Development Property	119,380		
	-----		-----
Total Property revenue	665,498		-----
	-----		-----
EXPENSE:			
Office Property real estate taxes	50,663		
Office Property operating expenses	129,116		
Resort/Hotel Property expense	137,325		
Residential Development Property expense	110,483		
	-----		-----
Total Property expense	427,587		-----
	-----		-----
Income from Property Operations	237,911		-----
	-----		-----
OTHER INCOME (EXPENSE):			
Income from investment land sales, net	12,961		
Gain on joint venture of properties, net	100		
Interest and other income	4,172		
Corporate general and administrative	(20,526)		
Interest expense	(129,298)		
Amortization of deferred financing costs	(7,751)		
Depreciation and amortization	(110,947)		
Impairment charges related to real estate assets	(1,200)		
Other expenses	(1,042)		
Equity in net income (loss) of unconsolidated companies:			
Office Properties	8,797		
Resort/Hotel Properties	2,036		
Residential Development Properties	4,235		
Temperature-Controlled Logistics Properties	152		
Other	(1,679)		
	-----		-----
Total Other Income (Expense)	(239,990)		-----
	-----		-----
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS AND INCOME TAXES	(2,079)		
Minority interests	(1,897)		
Income tax benefit (provision)	10,545		

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	-----	-----
INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	\$ 6,569 =====	\$ =====
BASIC EARNINGS PER SHARE DATA:		
Net income (loss) before discontinued operations and cumulative effect of a change in accounting principle	\$ 0.07 =====	
DILUTED EARNINGS PER SHARE DATA:		
Net income (loss) before discontinued operations and cumulative effect of a change in accounting principle	\$ 0.07 =====	
WEIGHTED AVERAGE SHARES		
OUTSTANDING - BASIC	99,186,469 =====	
WEIGHTED AVERAGE SHARES		
OUTSTANDING - DILUTED	99,191,192 =====	
	Sales Proceeds	(D) Consol
	-----	-----
REVENUE:		
Office Property	\$ --	\$
Resort/Hotel Property	--	
Residential Development Property	--	
	-----	-----
Total Property revenue	--	
	-----	-----
EXPENSE:		
Office Property real estate taxes	--	
Office Property operating expenses	--	
Resort/Hotel Property expense	--	
Residential Development Property expense	--	
	-----	-----
Total Property expense	--	
	-----	-----
Income from Property Operations	--	
	-----	-----
OTHER INCOME (EXPENSE):		
Income from investment land sales, net	--	
Gain on joint venture of properties, net	--	
Interest and other income	--	
Corporate general and administrative	--	
Interest expense	3,592	(
Amortization of deferred financing costs	--	
Depreciation and amortization	--	(
Impairment charges related to real estate assets	--	
Other expenses	--	
Equity in net income (loss) of unconsolidated companies:		

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Office Properties	--	
Resort/Hotel Properties	--	
Residential Development Properties	--	
Temperature-Controlled Logistics Properties	--	
Other	--	
	-----	-----
Total Other Income (Expense)	3,592	(
	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS AND INCOME TAXES	3,592	
Minority interests	--	
Income tax benefit (provision)	--	
	-----	-----
INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	\$ 3,592	\$
	=====	=====
BASIC EARNINGS PER SHARE DATA:		
Net income (loss) before discontinued operations and cumulative effect of a change in accounting principle		\$
		=====
DILUTED EARNINGS PER SHARE DATA:		
Net income (loss) before discontinued operations and cumulative effect of a change in accounting principle		\$
		=====
WEIGHTED AVERAGE SHARES		
OUTSTANDING - BASIC		99,
		=====
WEIGHTED AVERAGE SHARES		
OUTSTANDING - DILUTED		99,
		=====

See accompanying notes to Pro Forma Consolidated Statements of Operations
F-5

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands)

The following describes the pro forma adjustments to the Unaudited Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2003 as if the transactions described in the first paragraph of "Pro Forma Financial Information" were completed on January 1, 2002.

- (A) Reflects Crescent Real Estate Equities Company's unaudited consolidated historical Statement of Operations for the nine months ended September 30, 2003.

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- (B) Reflects an adjustment to remove the historical incremental income and expense for The Woodlands Land Development Company, L.P. for the nine months ended September 30, 2003.
- (C) Reflects an adjustment to remove the historical incremental income and expense for the nine months ended September 30, 2003 for:

The Woodlands Commercial Property Company, L.P.	\$	5,883
The Woodlands Operating Company, L.P.		(1,496)

	\$	4,387
		=====

Woodlands Office Equities - '95 Limited Partnership results of \$802 thousand were presented in Net (loss)/income from discontinued operations, net of minority interests in the September 30, 2003 Consolidated Statements of Operations.

- (D) Net decrease in interest costs assuming that the \$152.2 million net cash proceeds, after estimated transaction costs and taxes, were used to pay down the Company's Credit Facility at January 1, 2002.

Cash proceeds	\$	152,2
Weighted average interest rate (3.14% for nine months)		2.

Reduction in interest expense	\$	3,5
		=====

- (E) Does not reflect the gain on the sale of the Company's interest in The Woodlands, Texas. The estimated gain, net of estimated transaction costs and taxes, would have been approximately \$ 44.3 million had the transaction taken place on September 30, 2003.

Purchase price	\$	183,70
Net book value		101,00
Estimated transaction costs		6,50
Estimated tax provision		30,90

Estimated gain	\$	44,30
		=====

F-6

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For the year ended December 31, 2002
(dollars in thousands, except share data)

	Crescent Real Estate Equities Company	(A)	The Wo Land
REVENUE:			
Office Property	\$ 540,108		\$
Resort/Hotel Property	203,128		
Residential Development Property	231,726		
Total Property revenue	974,962		
EXPENSE:			
Office Property real estate taxes	72,710		
Office Property operating expenses	165,870		
Resort/Hotel Property expense	157,987		
Residential Development Property expense	211,760		
Total Property expense	608,327		
Income from Property Operations	366,635		
OTHER INCOME (EXPENSE):			
Income from investment land sales, net	21,591		
Gain on joint venture of properties, net	17,363		
Interest and other income	13,036		
Corporate general and administrative	(27,762)		
Interest expense	(179,059)		
Amortization of deferred financing costs	(10,178)		
Depreciation and amortization	(138,523)		
Impairment charges related to real estate assets	(12,216)		
Other expenses	(11,389)		
Equity in net income (loss) of unconsolidated companies:			
Office Properties	23,431		
Resort/Hotel Properties	(115)		
Residential Development Properties	39,778		
Temperature-Controlled Logistics Properties	(2,933)		
Other	(6,609)		
Total Other Income (Expense)	(273,585)		
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS AND INCOME TAXES			
Minority interests	(21,230)		
Income tax benefit (provision)	4,922		
INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE			
	\$ 76,742		\$

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BASIC EARNINGS PER SHARE DATA:

Net income (loss) before discontinued operations and cumulative effect of a change in accounting principle	\$	0.74
		=====

DILUTED EARNINGS PER SHARE DATA:

Net income (loss) before discontinued operations and cumulative effect of a change in accounting principle	\$	0.74
		=====

WEIGHTED AVERAGE SHARES

OUTSTANDING - BASIC		103,527,833
		=====

WEIGHTED AVERAGE SHARES

OUTSTANDING - DILUTED		103,730,569
		=====

	Sales Proceeds	(D)	Consol
	-----		-----
REVENUE:			
Office Property	\$	--	\$
Resort/Hotel Property		--	
Residential Development Property		--	
		-----	-----
Total Property revenue		--	
		-----	-----
EXPENSE:			
Office Property real estate taxes		--	
Office Property operating expenses		--	
Resort/Hotel Property expense		--	
Residential Development Property expense		--	
		-----	-----
Total Property expense		--	
		-----	-----
Income from Property Operations		--	
		-----	-----
OTHER INCOME (EXPENSE):			
Income from investment land sales, net		--	
Gain on joint venture of properties, net		--	
Interest and other income		--	
Corporate general and administrative		--	
Interest expense		5,616	
Amortization of deferred financing costs		--	
Depreciation and amortization		--	
Impairment charges related to real estate assets		--	
Other expenses		--	
Equity in net income (loss) of unconsolidated companies:			
Office Properties		--	
Resort/Hotel Properties		--	
Residential Development Properties		--	
Temperature-Controlled Logistics Properties		--	
Other		--	
		-----	-----

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Total Other Income (Expense)	5,616	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS AND INCOME TAXES			
Minority interests	5,616	--	--
Income tax benefit (provision)	--	--	--

INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE			
	\$ 5,616	\$	\$
=====			
BASIC EARNINGS PER SHARE DATA:			
Net income (loss) before discontinued operations and cumulative effect of a change in accounting principle		\$	\$
=====			
DILUTED EARNINGS PER SHARE DATA:			
Net income (loss) before discontinued operations and cumulative effect of a change in accounting principle		\$	\$
=====			
WEIGHTED AVERAGE SHARES			
OUTSTANDING - BASIC			103
=====			
WEIGHTED AVERAGE SHARES			
OUTSTANDING - DILUTED			103
=====			

See accompanying notes to Pro Forma consolidated Statements of Operations
F-7

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands)

The following describes the pro forma adjustments to the Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2002 as if the transactions described in the first paragraph of "Pro Forma Financial Information" were completed on January 1, 2002.

- (A) Reflects Crescent Real Estate Equities Company's audited consolidated historical Statement of Operations for the year ended December 31, 2002.
- (B) Reflects an adjustment to remove the historical incremental income and expense for the The Woodlands Land Development Company, L.P. for the year ended December 31, 2002.
- (C) Reflects an adjustment to remove the historical incremental income and expense for the year ended December 31, 2002 for:

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The Woodlands Commercial Property Company, L.P.	\$ 20,491
The Woodlands Operating Company, L.P	148

	\$ 20,639
	=====

Woodlands Office Equities - '95 Limited Partnership results of \$6,794 were presented in Net income (loss) from discontinued operations, net of minority interests and Gain (loss) on real estate from discontinued operations, net of minority interests in the December 31, 2002 Consolidated Statements of Operations.

(D) Net decrease in interest costs assuming that the \$152.2 million net cash proceeds, after estimated transaction costs and taxes, were used to pay down the Company's Credit Facility at January 1, 2002.

Cash proceeds	\$ 152,200
Weighted average interest rate	3.69%

Reduction in interest expense	\$ 5,616
	=====