CRESCENT REAL ESTATE EQUITIES CO
Form 10-K/A
October 22, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
(AMENDMENT NO. 3)

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001.
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO

COMMISSION FILE NUMBER 1-13038

CRESCENT REAL ESTATE EQUITIES COMPANY

(Exact name of registrant as specified in its charter)

TEXAS	52-1862813
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

777 Main Street, Suite 2100, Fort Worth, Texas 76102

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (817) 321-2100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of Each Exchange on Which Registered:
Common Shares of Beneficial Interest par value $.01 per share	New York Stock Exchange
6 3/4% Series A Convertible Cumulative Preferred Shares of Beneficial Interest par value $.01 per share	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety (90) days.

YES X NO
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of April 24, 2002, the aggregate market value of the 95,437,284 common shares and 8,000,000 preferred shares held by non-affiliates of the registrant was approximately $1.8 billion and $165.2 million, respectively, based upon the closing price of $19.20 for common shares and $20.65 for preferred shares on the New York Stock Exchange.

Number of Common Shares outstanding as of April 24, 2002:	119,688,618
Number of Preferred Shares outstanding as of April 24, 2002:	8,000,000

The Form 10-K of Crescent Real Estate Equities Company (the "Company") for the year ended December 31, 2001 is being amended to (i) amend Item 1. Business in response to a comment letter received from the Securities and Exchange Commission ("SEC"), (ii) amend Item 5. Market for Registrant's Common Equity and Related Shareholder Matters in response to a comment letter received from the SEC, (iii) amend Item 6. Selected Financial Data to conform to financial statement reclassifications in Item 8. Financial Statements and Supplementary Data, (iv) amend Item 7. Management's Discussion and Analysis of Financial Condition and Historical Results of Operations in response to a comment letter received from the SEC and as a result of financial statement reclassifications in Item 8. Financial Statements and Supplementary Data, (v) amend Item 8. Financial Statements and Supplementary Data in order to make certain revisions to the Notes to Consolidated Financial Statements in response to a comment letter received from the SEC, reclassify certain amounts in the financial statements as a result of the adoption by the Company of SFAS No. 144 on January 1, 2002 and as a result of the completion by Ernst & Young LLP of the reaudit of the Company's consolidated financial statements as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001 and replace the Report of Independent Public Accountants of the Company's former certifying accountant, Arthur Andersen LLP, with the report of the Company's new certifying accountant, Ernst & Young LLP and (vi) amend Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K to include, as an exhibit, the consent of the Company's new certifying accountant to the incorporation by reference of their report included in Item 8 of this Form 10-K/A into the Company's previously filed registration statements under the Securities Act of 1933, as amended. All amended Items are presented in their entirety.

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PART I

ITEM 1. BUSINESS

THE COMPANY

Crescent Real Estate Equities Company ("Crescent Equities") operates as a real estate investment trust for federal income tax purposes, (a "REIT"), and, together with its subsidiaries, provides management, leasing and development services for some of its properties.

The term "Company" includes, unless the context otherwise indicates, Crescent Equities, a Texas REIT, and all of its direct and indirect subsidiaries.

The direct and indirect subsidiaries of Crescent Equities at December 31, 2001 included:

- CRESCENT REAL ESTATE EQUITIES LIMITED PARTNERSHIP

  The "Operating Partnership."

- CRESCENT REAL ESTATE EQUITIES, LTD.

  The "General Partner" of the Operating Partnership.

- SUBSIDIARIES OF THE OPERATING PARTNERSHIP AND THE GENERAL PARTNER

Crescent Equities conducts all of its business through the Operating Partnership and its other subsidiaries. The Company is structured to facilitate and maintain the qualification of Crescent Equities as a REIT.

As of December 31, 2001, the Company's assets and operations were composed of four investment segments:

- Office Segment;
- Resort/Hotel Segment;
- Residential Development Segment; and
- Temperature-Controlled Logistics Segment.

Within these segments, the Company owned or had an interest in the following real estate assets (the "Properties") as of December 31, 2001:

- OFFICE SEGMENT consisted of 74 office properties (collectively referred to as the "Office Properties"), located in 26 metropolitan submarkets in six states, with an aggregate of approximately 28.0 million net rentable square feet.
- RESORT/HOTEL SEGMENT consisted of five luxury and destination fitness resorts and spas with a total of 1,028 rooms/guest nights and four upscale business-class hotel properties with a total of 1,769 rooms (collectively referred to as the "Resort/Hotel Properties").
- RESIDENTIAL DEVELOPMENT SEGMENT consisted of the Company's ownership of real estate mortgages and non-voting common stock representing interests ranging from 90% to 95% in five unconsolidated residential development corporations (collectively referred to as the "Residential Development Corporations"), which in turn, through joint venture or partnership arrangements, owned 21 upscale residential development properties (collectively referred to as the "Residential Development Properties").
- TEMPERATURE-CONTROLLED LOGISTICS SEGMENT consisted of the Company's 40% interest in a general partnership (the "Temperature-Controlled Logistics Partnership"), which owns all of the common stock,

representing substantially all of the economic interest, of AmeriCold Corporation (the "Temperature-Controlled Logistics Corporation"), a REIT, which, as of December 31, 2001, directly or indirectly owned 89 temperature-controlled logistics properties (collectively referred to as the "Temperature-Controlled Logistics Properties") with an aggregate of approximately 445.2 million cubic feet (17.7 million square feet) of warehouse space.

See "Note 1. Organization and Basis of Presentation" included in "Item 8. Financial Statements and Supplementary Data" for a table that lists the principal subsidiaries of Crescent Equities and the Properties owned by such subsidiaries.

See "Note 4. Investments in Real Estate Mortgages and Equity of Unconsolidated Companies" included in "Item 8. Financial Statements and Supplementary Data" for a table that lists the Company's ownership in significant unconsolidated companies and equity investments as of December 31, 2001, including the three Office Properties in which the Company owned an

interest through unconsolidated companies and equity investments and the Company's ownership interests in the Residential Development Segment and the Temperature-Controlled Logistics Segment.

On February 14, 2002, the Company executed an agreement with Crescent Operating, Inc. ("COPI"), pursuant to which COPI transferred to the Company, in lieu of foreclosure, the lessee interests in the eight Resort/Hotel Properties leased to subsidiaries of COPI and, pursuant to a strict foreclosure, the voting common stock in three of the Company's Residential Development Corporations. The Company will fully consolidate the operations of the eight Resort/Hotel Properties and the three Residential Development Corporations, beginning on the date of the transfers of these assets. See "Note 22. Subsequent Events" included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's agreement with COPI.

For purposes of investor communications, the Company classifies its luxury and destination fitness resorts and spas and upscale Residential Development Properties as a single group referred to as the "Resort and Residential Development Sector" due to their similar targeted customer characteristics. This group does not contain the four upscale business-class hotel properties. Additionally, for investor communications, the Company classifies its Temperature-Controlled Logistics Properties and its upscale business-class hotel properties as the "Investment Sector." However, for purposes of segment reporting as defined in Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosures About Segments of an Enterprise and Related Information" and this Annual Report on Form 10-K, the Resort/Hotel Properties, including the upscale business-class hotel properties, the Residential Development Properties and the Temperature-Controlled Logistics Properties are considered three separate reportable segments.

See "Note 3. Segment Reporting" included in "Item 8. Financial Statements and Supplementary Data" for a table showing total revenues, funds from operations, and equity in net income of unconsolidated companies for each of these investment segments for the years ended December 31, 2001, 2000 and 1999 and identifiable assets for each of these investment segments at December 31, 2001 and 2000.

BUSINESS OBJECTIVES AND STRATEGIES

BUSINESS OBJECTIVES

The Company's primary business objective is to provide its shareholders with an attractive yet predictable growth in cash flow and underlying asset value. Additionally, the Company is focused on increasing funds from operations and cash available for distribution, while optimizing the corresponding growth rates. The Company also strives to attract and retain the best talent available and to empower management through the development and implementation of a cohesive set of operating, investing and financing strategies that will align their interests with the interests of the Company's shareholders.

OPERATING STRATEGIES

The Company seeks to enhance its operating performance by distinguishing itself as the leader in its core investment segments through customer service and asset quality.

The Company's operating strategies include:

- operating the Office Properties as long-term investments;

- providing exceptional customer service;
- increasing occupancies, rental rates and same-store net operating income; and
- emphasizing brand recognition of the Company's premier Class A Office Properties and luxury and destination fitness resorts and spas.

INVESTING STRATEGIES

The Company focuses on assessing investment opportunities and markets considered "demand-driven," or to have high levels of in-migration by corporations, affordable housing costs, moderate costs of living, and the presence of centrally located travel hubs, primarily within the Office Segment. These investment opportunities are evaluated in light of the Company's long-term investment strategy of acquiring properties at a significant discount to replacement cost in an environment in which the Company believes values will appreciate and equal or exceed replacement costs. Investment opportunities are expected to provide growth in cash flow after applying management skills, renovation and expansion capital and strategic vision.

The Company's investment strategies include:

- capitalizing on strategic acquisition opportunities, primarily within the Company's Office Segment;
- evaluating the expected returns on acquisition opportunities in relation to the Company's cost of capital;
- selectively developing the Company's commercial land inventory, primarily in its Office and Resort/Hotel Segments in order to meet the needs of customers;
- selectively developing luxury and destination fitness resorts and spas;
- monetizing the current investments of the Company in the five Residential Development Corporations and reinvesting returned capital from the Residential Development Segment primarily into the Office Segment where the Company expects to achieve favorable rates of return; and
- evaluating future repurchases of the Company's common shares, considering stock price, cost of capital, alternative investment options and growth implications.

FINANCING STRATEGIES

The Company implements a disciplined set of financing strategies in order to fund its operating and investing activities.

The Company's financing strategies include:

- funding operating expenses, debt service payments and distributions to shareholders and unitholders primarily through cash flow from operations;

- taking advantage of market opportunities to refinance existing debt and reduce interest cost, replace secured debt with unsecured debt, manage the Company's debt maturity schedule and expand the Company's lending group;

- actively managing the Company's exposure to variable-rate debt;

- utilizing a combination of the debt, equity, joint venture capital and selected asset disposition alternatives available to the Company to finance acquisition and development opportunities; and

- recycling capital within the Company through strategic sales of non-core assets and through joint ventures of selected Office Properties within the Company's portfolio while maintaining a minority interest and continuing to lease and manage the Properties.

EMPLOYEES

As of February 25, 2002, the Company had 794 employees. None of these employees are covered by collective bargaining agreements. The Company considers its employee relations to be good.

TAX STATUS

The Company elected under Section 856(c) of the Internal Revenue Code of 1986, as amended (the "Code"), to be taxed as a REIT under the Code beginning with its taxable year ended December 31, 1994. As a REIT for federal income tax purposes, the Company generally is not subject to federal income tax on REIT taxable income that it distributes to its shareholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to distribute at least 90% of REIT taxable income each year. The Company will be subject to federal income tax on its REIT taxable income (including any applicable alternative minimum tax) at regular corporate rates if it fails to qualify as a REIT for tax purposes in any taxable year. The Company will also not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Even if the Company qualifies as a REIT for federal income tax purposes, it may be subject to certain state and local income and franchise taxes and to federal income and excise taxes on its undistributed REIT taxable income. In addition, certain of its subsidiaries are subject to federal, state and local income taxes.

ENVIRONMENTAL MATTERS

The Company and its Properties are subject to a variety of federal, state and local environmental, health and safety laws, including:

- Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA");

- Resource Conservation & Recovery Act;

- Federal Clean Water Act;
- Federal Clean Air Act;
- Toxic Substances Control Act; and
- Occupational Safety & Health Act.

The application of these laws to a specific property that the Company owns will be dependent on a variety of property-specific circumstances, including the former uses of the property and the building materials used at each property. Under certain environmental laws, principally CERCLA, a current or previous owner or operator of real estate may be required to investigate and clean up certain hazardous or toxic substances, asbestos-containing materials, or petroleum product releases at the property. They may also be held liable to a governmental entity or third parties for property damage and for investigation and clean up costs such parties incur in connection with the contamination, whether or not the owner or operator knew of, or was responsible for, the contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. The owner or operator of a site also may be liable under common law to third parties for damages and injuries resulting from environmental contamination emanating from the site. Such costs or liabilities could exceed the value of the affected real estate. The presence of contamination or the failure to remediate contamination may adversely affect the owner's ability to sell or lease real estate or to borrow using the real estate as collateral.

Compliance by the Company with existing environmental, health and safety laws has not had a material adverse effect on the Company's financial condition and results of operations, and management does not believe it will have such an impact in the future. In addition, the Company has not incurred, and does not expect to incur any material costs or liabilities due to environmental contamination at Properties it currently owns or has owned in the past. However, the Company cannot predict the impact of new or changed laws or regulations on its current Properties or on properties that it may acquire in the future. The Company has no current plans for substantial capital expenditures with respect to compliance with environmental, health and safety laws.

INDUSTRY SEGMENTS

OFFICE SEGMENT

OWNERSHIP STRUCTURE

As of December 31, 2001, the Company owned or had an interest in 74 Office Properties located in 26 metropolitan submarkets in six states, with an aggregate of approximately 28.0 million net rentable square feet. The Company, as lessor, has retained substantially all of the risks and benefits of ownership of the Office Properties and accounts for its leases as operating leases. Additionally, the Company provides management and leasing services for some of its Office Properties.

See "Item 2. Properties" for more information about the Company's Office Properties. In addition, see "Note 1. Organization and Basis of Presentation" included in "Item 8. Financial Statements and Supplementary Data" for a table that lists the principal subsidiaries of the Company and the Properties owned by such subsidiaries and "Note 4. Investments in Real Estate Mortgages and Equity of Unconsolidated Companies" included in "Item 8. Financial Statements and Supplementary Data" for a table that lists the Company's ownership in significant unconsolidated companies or equity

investments and the four Office Properties in which the Company owned an interest through these unconsolidated companies or equity investments.

JOINT VENTURE ARRANGEMENTS

5 Houston Center

On June 4, 2001, the Company entered into a joint venture arrangement with a pension fund advised by JP Morgan Investment Management, Inc. ("JPM") to construct the 5 Houston Center Office Property within the Company's Houston Center mixed-use Office Property complex in Houston, Texas. The Class A Office Property will consist of 577,000 net rentable square feet. The joint venture is structured such that the fund holds a 75% equity interest, and the Company holds a 25% equity interest. In addition, the Company is developing, and will manage and lease, the Property on a fee basis.

Four Westlake Park and Bank One Tower

On July 30, 2001, the Company entered into joint venture arrangements with an affiliate of General Electric Pension Fund ("GE") for two Office Properties, Four Westlake Park in Houston, Texas, and Bank One Tower in Austin, Texas. The joint ventures are structured such that GE holds an 80% equity interest in each of the Office Properties, Four Westlake Park, a 560,000 square foot Class A Office Property located in the Katy Freeway submarket of Houston, and Bank One Tower, a 390,000 square foot Class A Office Property located in downtown Austin. The Company continues to hold the remaining 20% equity interests in each Office Property. In addition, the Company manages and leases the Office Properties on a fee basis.

MARKET INFORMATION

The Office Properties reflect the Company's strategy of investing in premier assets within markets that have significant potential for rental growth. Within its selected submarkets, the Company has focused on premier locations that management believes are able to attract and retain the highest quality tenants and command premium rents. Consistent with its long-term investment strategies, the Company has sought transactions where it was able to acquire properties that have strong economic returns based on in-place tenancy and also have a dominant position within the submarket due to quality and/or location. Accordingly, management's long-term investment strategy not only demands acceptable current cash flow return on invested capital, but also considers long-term cash flow growth prospects. In selecting the Office Properties, the Company analyzed demographic and economic data to focus on markets expected to benefit from significant long-term employment growth as well as corporate relocations.

The Company's Office Properties are located primarily in the Dallas/Fort Worth and Houston, Texas, metropolitan areas, both of which are projected to benefit from strong population and employment growth over the next 10 years. As indicated in the table below entitled "Projected Population Growth and Employment Growth for all Company Markets," these core Company markets are projected to outperform the 10-year averages for the United States. In addition, the Company considers these markets "demand-driven" markets due to high levels of in-migration by corporations, affordable housing costs, moderate cost of living, and the presence of centrally located travel hubs, making all areas of the country easily accessible.

Texas

As of December 2001, the Texas unemployment rate was 5.7%, slightly better than the national unemployment rate of 5.8%. According to the Texas Economic Update, Texas weathered the 2001 economic slowdown better than the nation as a whole.

Dallas/Fort Worth ("DFW")

According to the Bureau of Labor Statistics, 2001 job growth slowed considerably in the DFW area. As of December 2001, the DFW unemployment rate was 5.6%, compared with the Texas unemployment rate of 5.7% and the national unemployment rate of 5.8%. As for DFW's 2001 commercial office market, according to CoStar data, citywide net

economic absorption, excluding space available for sublease, was approximately 1.0 million square feet, primarily represented by a positive 1.0 million square feet of absorption in Class A space. The city's total net absorption, including space available for sublease, was approximately (3.0) million square feet for 2001; however, Class A space represented only approximately (700,000) square feet of the (3.0) million total square feet.

Houston

Houston's employment data held steady through much of 2001, despite the slowdown in the economy. Approximately 23,000 jobs were created in 2001, an increase of approximately 1.1% over 2000. As of December 2001, the Houston unemployment rate was 4.4%, compared with the Texas unemployment rate of 5.7% and the national unemployment rate of 5.8%. As for Houston's 2001 commercial office market, according to CoStar data, citywide net economic absorption, excluding space available for sublease, was 2.0 million square feet, with 2.75 million square feet in Class A space. The city's total net absorption, including space available for sublease, was a (200,000) square feet for 2001; however, Class A space had a positive total net absorption of 1.4 million square feet.

The demographic conditions, economic conditions and trends (population growth and employment growth) favoring the markets in which the Company has invested are projected to continue to exceed the national averages, as illustrated in the following table.

PROJECTED POPULATION GROWTH AND EMPLOYMENT GROWTH FOR ALL COMPANY MARKETS

Metropolitan Statistical Area	Population Growth 2002-2011	Employme Growth 2002-20
Albuquerque, NM	22.05%	14.15
Austin, TX	26.02	36.61
Colorado Springs, CO	27.48	15.83
Dallas, TX	15.89	20.92
Denver, CO	11.34	19.76
Fort Worth, TX	19.03	22.31

Houston, TX	15.61	22.43
Miami, FL	9.03	15.90
Phoenix, AZ	27.24	33.41
San Diego, CA	17.35	17.29
UNITED STATES	8.49	12.01

Source: Compiled from information published by Economy.com, Inc.

The Company does not depend on a single customer or a few major customers within the Office Segment, the loss of which would have a material adverse effect on the Company's financial condition or results of operations. Based on rental revenues from office leases in effect as of December 31, 2001, no single tenant accounted for more than 5% of the Company's total Office Segment rental revenues for 2001.

The Company applies a well-defined leasing strategy in order to capture the potential rental growth in the Company's portfolio of Office Properties as occupancy and rental rates increase within the markets and the submarkets in which the Company has invested. The Company's strategy is based, in part, on identifying and focusing on investments in submarkets in which weighted average full-service rental rates (representing base rent after giving effect to free rent and scheduled rent increases that would be taken into account under generally accepted accounting principles ("GAAP") and including adjustments for expenses payable by or reimbursed from tenants) are significantly less than weighted average full-service replacement cost rental rates (the rate management estimates to be necessary to provide a return to a developer of a comparable, multi-tenant building sufficient to justify construction of new buildings) in that submarket. In calculating replacement cost rental rates, management relies on available third-party data and its own estimates of construction costs (including materials and labor in a particular market) and assumes replacement cost rental rates are achieved at a 95% occupancy level. The Company believes that the difference between the two rates is a useful measure of the additional

revenue that the Company may be able to obtain from a property, because the difference should represent the amount by which rental rates would be required to increase in order to justify construction of new properties. For the Company's Office Properties, the weighted average full-service rental rate as of December 31, 2001 was $22.42 per square foot, compared to an estimated weighted average full-service replacement cost rental rate of $30.23 per square foot.

COMPETITION

The Company's Office Properties, primarily Class A properties located within the southwest, individually compete against a wide range of property owners and developers, including property management companies and other REITs, that offer space in similar classes of office properties (for example, Class A and Class B properties.) A number of these owners and developers may own more than one property. The number and type of competing properties in a particular market or submarket could have a material effect on the Company's ability to lease space and maintain or increase occupancy or rents in its existing Office Properties. Management believes, however, that the quality services and individualized attention that the Company offers its customers, together with its active preventive maintenance program and superior building locations within markets, enhance the Company's ability to attract and retain customers for its Office Properties. In addition, as of December 31, 2001, on a weighted average

basis, the Company owned 16% of the Class A office space in the 26 submarkets in which the Company owned Class A office properties, and 24% of the Class B office space in the two submarkets in which the Company owned Class B office properties. Management believes that ownership of a significant percentage of office space in a particular market reduces property operating expenses, enhances the Company's ability to attract and retain customers and potentially results in increases in Company net operating income.

DISPOSITIONS

During the year ended December 31, 2001, five of the Company's fully consolidated Office Properties were disposed of. On September 18, 2001, the Company completed the sale of the two Washington Harbour Office Properties. The Washington Harbour Office Properties were the Company's only Office Properties in Washington, D.C. On September 28, 2001, the Woodlands Office Equities - '95 Limited ("WOE"), owned by the Company and the Woodlands Commercial Properties Company, L.P., sold two Office Properties located within The Woodlands, Texas. On December 20, 2001, WOE sold another Office Property located within The Woodlands, Texas.

During the year ended December 31, 2001, two of the unconsolidated companies in which the Company has an equity interest, sold three office properties and one retail property. On September 27, 2001, the Woodlands Commercial Properties Company, L.P. ("Woodlands CPC"), owned by the Company and an affiliate of Morgan Stanley, sold one office/venture tech property located within The Woodlands, Texas. On November 9, 2001, The Woodlands Land Development Company, L.P., owned by the Company and an affiliate of Morgan Stanley, sold two office properties and one retail property located within The Woodlands, Texas.

DEVELOPMENT

Avallon IV Office Property

In May 2001, the Company completed the construction of the Avallon IV Office Property in Austin, Texas. The property is a Class A Office Property with 86,315 net rentable square feet. Construction of this property commenced in September 2000.

5 Houston Center Office Property

The Company is currently developing the 5 Houston Center Office Property in Houston, Texas. Construction of the planned 27-story, Class A Office Property consisting of 577,000 net rentable square feet commenced in November 2000, and is expected to be completed in the fourth quarter of 2002. In June 2001, the Company entered into a joint venture arrangement with a pension fund advised by JPM to construct this Office Property. The joint venture is structured such that the fund holds a 75% equity interest, and the Company holds a 25% equity interest.

RESORT/HOTEL SEGMENT

OWNERSHIP STRUCTURE

Prior to enactment of the REIT Modernization Act, the Company's status

as a REIT for federal income tax purposes prohibited it from operating the Resort/Hotel Properties. As of December 31, 2001, the Company owned nine Resort/Hotel Properties, all of which, other than the Omni Austin Hotel, were leased to subsidiaries of COPI pursuant to eight separate leases. The Omni Austin Hotel was leased, under a separate lease, to HCD Austin Corporation.

Under the leases, each having a term of 10 years, the Resort/Hotel Property lessees assumed the rights and obligations of the property owner under the respective management agreements with the hotel operators, as well as the obligation to pay all property taxes and other costs related to the Properties.

The leases provided for the payment by the Resort/Hotel Property lessees of all or a combination of the following:

- base rent, with periodic rent increases if applicable;
- percentage rent based on a percentage of gross hotel receipts or gross room revenues, as applicable, above a specified amount; and
- a percentage of gross food and beverage revenues above a specified amount.

On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to subsidiaries of the Company, in lieu of foreclosure, COPI's lessee interests in the eight Resort/Hotel Properties leased to subsidiaries of COPI. As a result, these subsidiaries of the Company became the lessees of the eight Resort/Hotel Properties.

See "Note 22. Subsequent Events" included in "Item 8. Financial Statements and Supplemental Data" for additional information regarding the Company's agreement with COPI.

CR LICENSE, LLC AND CRL INVESTMENTS, INC.

As of December 31, 2001, the Company had a 28.5% interest in CR License, LLC, the entity which owns the right to the future use of the "Canyon Ranch" name. The Company also had a 95% economic interest, representing all of the non-voting common stock, in CRL Investments, Inc., which has an approximately 65% economic interest in the Canyon Ranch Spa Club in the Venetian Hotel in Las Vegas, Nevada.

On February 14, 2002, the Company executed an agreement with COPI, pursuant to which the Company acquired, in lieu of foreclosure, COPI's 1.5% interest in CR License, LLC and 5.0% interest, representing all of the voting stock, in CRL Investments, Inc.

MARKET INFORMATION

Lodging demand is highly dependent upon the global economy and volume of business travel. Prior to 2001, the hospitality industry enjoyed record profits. However, the uncertainty surrounding the weak global economy and the costs and fear resulting from the events of September 11, 2001 are expected to result in weak performance for much of 2002. This is evidenced by declines in both business and leisure travel in the United States. Although the hospitality industry will be negatively impacted to the extent demand is less than expected for much of 2002, management expects a recovery in 2003.

COMPETITION

Most of the Company's upscale business class Resort/Hotel Properties in Denver, Albuquerque, Austin and Houston are business and convention center

hotels that compete against other business and convention center hotels. The

Company believes, however, that its luxury and destination fitness resorts and spas are unique properties that have no significant direct competitors due either to their high replacement cost or unique concept and location. However, the luxury and destination fitness resorts and spas do compete against business-class hotels or middle-market resorts in their geographic areas, as well as against luxury resorts nationwide and around the world.

RESIDENTIAL DEVELOPMENT SEGMENT

OWNERSHIP STRUCTURE

As of December 31, 2001, the Company owned economic interests in five Residential Development Corporations through the Residential Development Property mortgages and the non-voting common stock of these Residential Development Corporations. The Residential Development Corporations in turn, through joint ventures or partnership arrangements, own interests in 21 Residential Development Properties. The Residential Development Corporations are responsible for the continued development and the day-to-day operations of the Residential Development Properties.

On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to subsidiaries of the Company, pursuant to a strict foreclosure, COPI's voting interests in three of the Residential Development Corporations. These three Residential Development Corporations, Desert Mountain Development Corporation ("Desert Mountain"), The Woodlands Land Company, Inc. ("The Woodlands") and Crescent Resort Development, Inc. ("CRD") own interests in 16 Residential Development Properties.

See "Note 22. Subsequent Events" included in "Item 8. Financial Statements and Supplemental Data" for additional information regarding the Company's agreement with COPI.

MARKET INFORMATION

A slowing economy, combined with the events of September 11, 2001 contributed to the reduction in lot absorption, primarily at Desert Mountain. CRD (formerly "Crescent Development Management Corp.") was not significantly impacted because most of its products were pre-sold. However, CRD did change its strategy by delaying the commencement of certain projects, which will impact its performance in 2002. In addition, The Woodlands experienced a reduction in lot absorption of its higher priced lots, including Carlton Woods, The Woodlands' new upscale gated residential development. However, The Woodlands was not significantly impacted due to the higher prices of the lots sold offsetting lower lot sales.

COMPETITION

The Company's Residential Development Properties compete against a variety of other housing alternatives in each of their respective areas. These alternatives include other planned developments, pre-existing single-family homes, condominiums, townhouses and non-owner occupied housing, such as luxury apartments. Management believes that the Properties owned by The Woodlands, CRD and Desert Mountain, representing the Company's most significant investments in Residential Development Properties, contain certain features that provide competitive advantages to these developments.

The Woodlands, which is an approximately 27,000-acre, master-planned residential and commercial community north of Houston, Texas, is unique among developments in the Houston area, because it functions as a self-contained community. Amenities contained in the development, which are not contained within most other local developments, include a shopping mall, retail centers, office buildings, a hospital, a community college, places of worship, a conference center, 85 parks, 117 holes of golf, including a Tournament Players Course and signature courses by Jack Nicklaus, Arnold Palmer, and Gary Player, two man-made lakes and a performing arts pavilion. The Woodlands competes with other master planned communities in the surrounding Houston market.

Desert Mountain, a luxury residential and recreational community in Scottsdale, Arizona, which also offers five 18-hole Jack Nicklaus signature golf courses and tennis courts, has few direct competitors due in part to the superior environmental attributes and the types of amenities that it offers.

CRD invests primarily in mountain resort residential real estate in Colorado and California, and residential real estate in downtown Denver, Colorado. Management believes CRD does not have any direct competitors because the projects and project locations are unique and the land is limited in most of these locations.

TEMPERATURE-CONTROLLED LOGISTICS SEGMENT

OWNERSHIP STRUCTURE

Effective March 12, 1999, the Company, Vornado Realty Trust, COPI, the Temperature-Controlled Logistics Partnership and the Temperature-Controlled Logistics Corporation (including all affiliated entities that owned any portion of the business operations of the Temperature-Controlled Logistics Properties at that time) sold all of the non-real estate assets, encompassing the business operations, for approximately $48.7 million to a subsidiary of a newly formed partnership ("AmeriCold Logistics"), owned 60% by Vornado Operating L.P. and 40% by a subsidiary of COPI. The Company has no interest in AmeriCold Logistics.

As of December 31, 2001, the Company held a 40% interest in the Temperature-Controlled Logistics Partnership, which owns the Temperature-Controlled Logistics Corporation, which directly or indirectly owns the 89 Temperature-Controlled Logistics Properties, with an aggregate of approximately 445.2 million cubic feet (17.7 million square feet) of warehouse space.

AmeriCold Logistics, as sole lessee of the Temperature-Controlled Logistics Properties, leases the Temperature-Controlled Logistics Properties from the Temperature-Controlled Logistics Corporation under three triple-net master leases, as amended on January 23, 2002. On February 22, 2001, the Temperature-Controlled Logistics Corporation and AmeriCold Logistics agreed to restructure certain financial terms of the leases, including the adjustment of the rental obligation for 2001 to $146.0 million, the adjustment of the rental obligation for 2002 to $150.0 million (plus contingent rent in certain circumstances), the increase of the Temperature-Controlled Logistics Corporation's share of capital expenditures for the maintenance of the properties from $5.0 million to $9.5 million (effective January 1, 2000) and the extension of the date on which deferred rent was required to be paid to December 31, 2003.

AmeriCold Logistics deferred $25.5 million of rent for the year ended

December 31, 2001, of which the Company's share was $10.2 million. AmeriCold Logistics also deferred $19.0 million and $5.4 million of rent for the years ended December 31, 2000 and 1999, respectively, of which the Company's share was $7.5 million and $2.1 million, respectively. In December 2001, the Temperature-Controlled Logistics Corporation waived its rights to collect $39.8 million of the total $49.9 million of deferred rent, of which the Company's share was $15.9 million. The Temperature-Controlled Logistics Corporation and the Company had recorded adequate valuation allowances related to their portions of the waived deferred rental revenue during the years ended December 31, 2000, and 2001; therefore, there was no financial statement impact to the Temperature-Controlled Logistics Corporation or to the Company related to the Temperature-Controlled Logistics Corporation's decision to waive collection of the deferred rent.

BUSINESS AND INDUSTRY INFORMATION

AmeriCold Logistics provides frozen food manufacturers with refrigerated warehousing and transportation management services. The Temperature-Controlled Logistics Properties consist of production and distribution facilities. Production facilities differ from distribution facilities in that they typically serve one or a small number of customers located nearby. These customers store large quantities of processed or partially processed products in the facility until they are further processed or shipped to the next stage of production or distribution. Distribution facilities primarily serve customers who store a wide variety of finished products to support shipment to end-users, such as food retailers and food service companies, in a specific geographic market.

AmeriCold Logistics' transportation management services include freight routing, dispatching, freight rate negotiation, backhaul coordination, freight bill auditing, network flow management, order consolidation and distribution channel assessment. AmeriCold Logistics' temperature-controlled logistics expertise and access to both the frozen food warehouses and distribution channels enable the customers of AmeriCold Logistics to respond quickly and efficiently to time-sensitive orders from distributors and retailers.

AmeriCold Logistics' customers consist primarily of national, regional and local frozen food manufacturers, distributors, retailers and food service organizations. A breakdown of AmeriCold Logistics' largest customers include:

	PERCENTAGE OF 2001 REVENUE
H.J. Heinz & Co	16%
Con-Agra, Inc	8
Sara Lee Corp	5
McCain Foods, Inc	5
Tyson Foods, Inc	4
General Mills	4
J.R. Simplot	3
Flowers Food, Inc	3
Pro-Fac Cooperative, Inc	2
Farmland Industries, Inc	2
Other	48

TOTAL	100%

Consolidation among retail and food service channels has limited the ability of manufacturers to pass along cost increases by raising prices. Because of this, manufacturers have been forced in the recent past to focus more intensely on supply chain cost (such as inventory management, transporataion and distribution) reduction initiatives in an effort to improve operating performance.

COMPETITION

AmeriCold Logistics is the largest operator of public refrigerated warehouse space in North America and has more than twice the cubic feet of the second largest operator. AmeriCold Logistics operated an aggregate of approximately 18% of total cubic feet of public refrigerated warehouse space as of December 31, 2001. No other person or entity operated more than 8% of total public refrigerated warehouse space as of December 31, 2001. As a result, AmeriCold Logistics does not have any competitors of comparable size. AmeriCold Logistics operates in an environment in which competition is national, regional and local in nature and in which the range of service, temperature-controlled logistics facilities, customer mix, service performance and price are the principal competitive factors.

DEVELOPMENT

The Temperature-Controlled Logistics Corporation completed the acquisition of one facility in the first quarter of 2001 for $10.0 million and completed the construction of one facility in the third quarter of 2001 for $15.8 million, representing in aggregate approximately 8.5 million cubic feet (0.2 million square feet) of additional warehouse space.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's common shares have been traded on the New York Stock Exchange under the symbol "CEI" since the completion of its initial public offering in May 1994. For each calendar quarter indicated, the following table reflects the high and low sales prices during the quarter for the common shares and the distributions declared by the Company with respect to each quarter.

	PRICE		
	HIGH	LOW	DISTRIBUTIONS
2000			
First Quarter	$ 19.75	$ 15.75	$ 0.550
Second Quarter	22.19	16.94	0.550
Third Quarter	23.19	20.69	0.550
Fourth Quarter	23.44	19.50	0.550

2001			
First Quarter	$ 23.56	$ 20.90	$ 0.550
Second Quarter	25.24	22.26	0.550
Third Quarter	25.09	18.75	0.375(1)
Fourth Quarter	21.58	16.30	0.375(1)

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(1) On October 17, 2001, the Company announced that the quarterly distribution was being reduced from $0.55 per common share, or an annualized distribution of $2.20 per common share, to $0.375 per common share, or an annualized distribution of $1.50 per common share.

As of March 11, 2002, there were approximately 1,040 holders of record of the Company's common shares.

DISTRIBUTION POLICY

The actual results of operations of the Company and the amounts actually available for distribution will be affected by a number of factors, including:

- the general condition of the United States economy;
- the operating and interest expenses of the Company;
- the ability of tenants to meet their rent obligations;
- general leasing activity in the markets in which the Office Properties are located;
- consumer preferences relating to the Resort/Hotel Properties;
- cash flows from unconsolidated entities;
- federal, state and local taxes payable by the Company;
- capital expenditure requirements; and
- the adequacy of cash reserves.

On October 17, 2001, the Company announced that due to its revised cash flow expectations in the uncertain economic environment and measuring its payout ratios to those of the Company's peer group, the Company was reducing its quarterly distribution from $0.55 per common share, or an annualized distribution of $2.20 per common share, to $0.375 per common share, or an annualized distribution of $1.50 per common share.

Future distributions by the Company will be at the discretion of the Board of Trust Managers. The Board of Trust Managers has indicated that it will review the adequacy of the Company's distribution rate on a quarterly basis.

Under the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to distribute at least 90% of REIT taxable income each year. Pursuant to this requirement, the Company was required to distribute $111.7 million and $166.1 million for 2001 and 2000, respectively. Actual distributions by the Company were $245.1 million and $281.2 million for 2001 and 2000, respectively.

Distributions by the Company to the extent of its current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary dividend income. Distributions in excess of current and accumulated earnings and profits will be treated as a nontaxable reduction of the shareholder's basis in such shareholder's shares, to the extent thereof, and thereafter as taxable gain. Distributions that are treated as a reduction of the shareholder's basis in its shares will have the effect of deferring taxation until the sale of the shareholder's shares. No assurances can be given regarding what portion, if any, of distributions in 2002 or subsequent years will constitute a return of capital for federal income tax purposes.

Distributions on the Company's common shares are payable at the rate of $1.50 per annum per common share.

Following is the income tax status of distributions paid during the years ended December 31, 2001 and 2000 to common shareholders:

	2001	2000
Ordinary dividend	50.3%	51.5%
Capital gain	--	6.4
Return of capital	49.7	35.9
Unrecaptured Section 1250 Gain	--	6.2

Distributions on the 8,000,000 6 3/4% Series A Convertible Cumulative Preferred Shares issued by the Company in February 1998 are payable at the rate of $1.6875 per annum per Series A Convertible Cumulative Preferred Share, prior to distributions on the common shares.

Following is the income tax status of distributions paid during the years ended December 31, 2001 and 2000 to preferred shareholders:

	2001	2000
Ordinary dividend	100.0%	83.7%
Capital gain	--	8.2
Unrecaptured Section 1250 Gain	--	8.1

ISSUANCES OF UNREGISTERED SECURITIES

During the quarter ended December 31, 2001, Crescent Equities issued an aggregate of 15,556 common shares to holders of Operating Partnership units in

exchange for 7,778 units. The issuances of the common shares were exempt from registration as private placements under Section 4(2) of the Securities Act. Crescent Equities has registered the resale of such common shares under the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

The following table includes certain financial information for the Company on a consolidated historical basis. All information relating to common shares has been adjusted to reflect the two-for-one stock split effected in the form of a 100% share dividend paid on March 26, 1997 to shareholders of record on March 20, 1997. You should read this section in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

CRESCENT REAL ESTATE EQUITIES COMPANY
CONSOLIDATED HISTORICAL FINANCIAL DATA
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER		
	2001	2000	1999
OPERATING DATA:			
Total revenue	$ 691,991	$ 713,857	$ 741,629
Operating (loss) income	(28,112)	88,900	(55,955
Income before minority interests, extraordinary item, and discontinued operations	27,544	302,068	12,342
Basic earnings per common share:			
(Loss) income before extraordinary item and discontinued operations	$ (0.07)	$ 2.07	$ (0.07
Net (loss) income	(0.17)	2.05	(0.06
Diluted earnings per common share:			
(Loss) income before extraordinary item and discontinued operations	$ (0.07)	$ 2.04	$ (0.07
Net (loss) income	(0.17)	2.02	(0.06
BALANCE SHEET DATA (AT PERIOD END):			
Total assets	$ 4,142,149	$ 4,543,318	$ 4,950,561
Total debt	2,214,094	2,271,895	2,598,929
Total shareholders' equity	1,405,940	1,731,327	2,056,774
OTHER DATA:			
Funds from Operations(1)	$ 177,117	$ 326,897	$ 340,777
Cash distribution declared per common share	$ 1.85	$ 2.20	$ 2.20
Weighted average common shares and units outstanding - basic	121,017,605	127,535,069	135,954,043
Weighted average common shares and units			

outstanding - diluted	122,544,421	128,731,883	137,891,561
Cash flow provided by (used in):			
Operating activities	$ 212,813	$ 275,715	$ 336,060
Investing activities	209,994	428,306	(205,811
Financing activities	(425,488)	(737,981)	(167,615

(1) Funds from Operations ("FFO"), based on the revised definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), effective January 1, 2000, and as used herein, means net income (loss) (determined in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, excluding extraordinary items (as defined by GAAP), plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. For a more detailed definition and description of FFO, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this section in conjunction with the selected financial data and the consolidated financial statements and the accompanying notes in "Item 6. Selected Financial Data" and "Item 8. Financial Statements and Supplementary Data," respectively, of this report. Historical results and percentage relationships set forth in these Items and this section should not be taken as indicative of future operations of the Company. Capitalized terms used but not otherwise defined in this section have the meanings given to them in Items 1 - 6 of this Form 10-K.

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are generally characterized by terms such as "believe," "expect" and "may."

Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, the Company's actual results could differ materially from those described in the forward-looking statements.

The following factors might cause such a difference:

- The Company's inability to obtain the confirmation of a prepackaged bankruptcy plan of COPI binding all creditors and COPI stockholders;
- The inability of the Company to successfully integrate the lessee interests in the Resort/Hotel Properties and the voting interests in the Residential Development Corporations and related entities into its current business and operations;
- The inability of the Company to complete the distribution to its shareholders of the shares of a new entity to purchase COPI's interest in AmeriCold Logistics;
- Further deterioration in the resort/business-class hotel markets or in the market for residential land or luxury residences, including single-family homes, townhomes and condominiums, or in the economy

generally;

- The Company's ability, at its Office Properties, to timely lease unoccupied square footage and timely re-lease occupied square footage upon expiration on favorable terms, which may be adversely affected by changes in real estate conditions (including rental rates and competition from other properties and new development of competing properties or a general downturn in the economy);

- Financing risks, such as the ability to generate revenue sufficient to service and repay existing or additional debt, the ability to meet applicable debt covenants, the Company's ability to fund the share repurchase program, increases in debt service associated with increased debt and with variable-rate debt, and the ability to consummate financings and refinancings on favorable terms and within any applicable time frames;

- Further adverse conditions in the temperature-controlled logistics business (including both industry-specific conditions and a general downturn in the economy) which may further jeopardize the ability of AmeriCold Logistics to pay rent;

- Adverse changes in the financial condition of existing tenants;

- The concentration of a significant percentage of the Company's assets in Texas;

- The Company's ability to find acquisition and development opportunities which meet the Company's investment strategy;

- The existence of complex regulations relating to the Company's status as a REIT, the effect of future changes in REIT requirements as a result of new legislation and the adverse consequences of the failure to qualify as a REIT; and

- Other risks detailed from time to time in the Company's filings with the SEC.

Given these uncertainties, readers are cautioned not to place undue reliance on such statements. The Company is not obligated to update these forward-looking statements to reflect any future events or circumstances.

The following sections include information for each of the Company's investment segments for the year ended December 31, 2001.

The economic slowdown in the third quarter of 2001, combined with the events of the September 11, 2001 have had an adverse impact on Resort/Hotel operations and lot sales primarily at the Desert Mountain Residential Development Property. However, the Office Property portfolio, which represents approximately 66% of total assets, continues to be stable with same-store weighted average occupancy in excess of 92% and average remaining lease term of approximately five years at December 31, 2001. Although management does not expect full recovery of these investment segments in the near-term, the Company remains committed to its fundamental investment segments.

OFFICE SEGMENT

As of December 31, 2001, the Company owned or had an interest in 74 Office Properties.

The following table shows the same-store net operating income growth for the approximately 25.4 million square feet of Office Property space owned as of December 31, 2001, which excludes approximately 1.5 million square feet of Office Property space at Bank One Center, in which the Company owns a 50% equity interest, approximately 1.0 million square feet of Office Property space at Four Westlake Park and Bank One Tower, in each of which the Company has a 20% equity interest, 0.1 million square feet of Office Property space at Avallon IV, which was completed during the year ended December 31, 2001.

	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	PERCENTAGE/ POINT INCREASE
(IN MILLIONS)			
Same-store Revenues	$ 552.5	$ 519.9	6.3%
Same-store Expenses	(250.1)	(229.3)	9.1%
Net Operating Income	$ 302.4	$ 290.6	4.1%
Weighted Average Occupancy	92.3%	91.8%	0.5 pt

The following table shows renewed or re-leased leasing activity and the percentage increase of leasing rates for signed leases compared to expiring leases at the Company's Office Properties owned as of December 31, 2001.

	FOR THE YEAR ENDED DECEMBER 31, 2001		
	SIGNED LEASES	EXPIRING LEASES	PERCEN INCRE
Renewed or re-leased(1)	1,890,000 sq. ft.	N/A	
Weighted average full-service rental rate(2)	$23.67 per sq. ft.	$20.21 per sq. ft.	
FFO annual net effective rental rate(3)(4)	$14.70 per sq. ft.	$11.21 per sq. ft.	

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(1) All of which have commenced or will commence during the next 12 months.

(2) Including free rent, scheduled rent increases taken into account under GAAP and expense recoveries.

(3) Calculated as weighted average full-service rental rate minus operating expenses.

(4) Funds from operations, or FFO, based on the revised definition adopted by the Board of Governors of the National Association of Real Estate

Investment Trusts, or NAREIT, effective January 1, 2000, and as used herein, means net income (loss), determined in accordance with GAAP, excluding gains (losses)

from sales of depreciable operating property, excluding extraordinary items, as defined by GAAP, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. FFO is a non-GAAP measure and should not be considered an alternative to GAAP measures, including net income and cash generated from operating activities. For a more detailed definition and description of FFO and comparisons to GAAP measures, see " - Liquidity and Capital Resources - Funds from Operations" below.

o For 2002, the Company projects same-store net operating income for its Office Properties to increase between 0% and 4% over 2001, based on an average occupancy range of 90% to 93%.

RESORT/HOTEL SEGMENT

As of December 31, 2001, the Company owned nine Resort/Hotel Properties.

The following table shows weighted average occupancy, average daily rate and revenue per available room/guest for the Resort/Hotel Properties for the years ended December 31, 2001 and 2000.

	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	PERCENTAGE/ POINT INCREASE (DECREASE)
Weighted average occupancy(1)	70%	76%	(6)pts
Average daily rate(1)	$ 245	$ 238	3%
Revenue per available room/guest(1)	$ 170	$ 180	(6)%

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(1) Excludes the Four Seasons Hotel - Houston, which was sold on November 3, 2000.

On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to subsidiaries of the Company, in lieu of foreclosure, COPI's lessee interests in the eight Resort/Hotel Properties leased to subsidiaries of COPI. As a result, the subsidiaries of the Company became the lessees of these Resort/Hotel Properties. The Company will fully consolidate the operations of the eight Resort/Hotel Properties beginning on the date of the asset transfers. See "Note 22. Subsequent Events" included in "Item 8. Financial Statements and Supplemental Data" for additional information regarding the Company's agreement with COPI.

The following table shows the Resort/Hotel Property same-store net

operating income for the years ended December 31, 2001 and 2000, for the nine Resort/Hotel Properties owned during both of these periods.

	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	PERCENTAGE DECREASE
(IN THOUSANDS)			
Upscale Business-Class Hotels(1)	$ 20,165	$ 22,157	(9)%
Luxury and Destination Fitness Resorts and Spas	29,451	36,837	(20)
All Resort/Hotel Properties(1)	$ 49,616	$ 58,994	(16)%

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(1) Excludes the Four Seasons Hotel - Houston, which was sold on November 3, 2000.

For 2002, the Company projects same-store net operating income will increase between 0% and 3% over 2001. Also, the average daily rate is expected to increase between 0% and 2% over 2001, and revenue per available room is expected to increase between 0% and 3% over 2001.

CR License, LLC and CRL Investments, Inc.

As of December 31, 2001, the Company had a 28.5% interest in CR License, LLC, the entity which owns the right to the future use of the "Canyon Ranch" name. The Company also had a 95% economic interest, representing all of the non-voting common stock, in CRL Investments, Inc., which has an approximately 65% economic interest in the Canyon Ranch Spa Club in the Venetian Hotel in Las Vegas, Nevada.

On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to subsidiaries of the Company, in lieu of foreclosure, COPI's 1.5% interest in CR License, LLC and 5.0% interest, representing all of the voting stock, in CRL Investments, Inc.

RESIDENTIAL DEVELOPMENT SEGMENT

As of December 31, 2001, the Company owned economic interests in five Residential Development Corporations through the Residential Development Property mortgages and the non-voting common stock of these Residential Development Corporations. The Residential Development Corporations in turn, through joint ventures or partnership arrangements, currently own interests in 21 Residential Development Properties. The Residential Development Corporations are responsible for the continued development and the day-to-day operations of the Residential Development Properties.

On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to subsidiaries of the Company, pursuant to a

strict foreclosure, COPI's voting interests in three of the Residential Development Corporations (The Woodlands Land Company, Inc., Desert Mountain Development Corporation and Crescent Resort Development, Inc.). The Company will fully consolidate the operations of the three Residential Development Corporations beginning on the dates of the asset transfers. Management plans to monetize the Company's current investments in the five Residential Development Corporations and reinvest returned capital from the Residential Development Segment primarily into the Office Segment where the Company expects to achieve favorable rates of return.

The Woodlands Land Development Company, L.P. and The Woodlands Commercial Properties Company, L.P. (collectively "The Woodlands"), The Woodlands, Texas:

The following table shows residential lot sales at an average price per lot and commercial land sales at an average price per acre.

	FOR THE YEAR ENDED DECEMBER 31,	
	2001	2000
Residential lot sales	1,718	2,033
Average sales price per lot	$ 72,000	$ 62,000
Commercial land sales	94 acres	124 acres
Average sales price per acre	$337,000	$308,000

- Average sales price per lot increased by $10,000, or 16%, due to a product mix of higher priced lots from the Carlton Woods development in the year ended December 31, 2001, compared to the same period in 2000.

- Carlton Woods is The Woodlands' new upscale residential development. It is a gated community consisting of 491 lots located around a Jack Nicklaus signature golf course. As of December 31, 2001, 213 lots have been sold at prices ranging from $0.1 million to $1.0 million per lot, or an average price of $343,000 per lot. Additional phases within Carlton Woods are expected to be marketed to the public over the next two years.

- Future buildout of The Woodlands is estimated at approximately 13,100 residential lots and approximately 1,700 acres of commercial land, of which approximately 1,555 residential lots and 1,075 acres are currently in inventory.

- The Company projects residential lot sales at The Woodlands to range between 1,550 lots and 1,800 lots at an average sales price per lot ranging between $70,000 and $80,000 for 2002.

Desert Mountain Properties Limited Partnership ("Desert Mountain"), Scottsdale, Arizona:

The following table shows residential lot sales at an average price per lot.

	FOR THE YEAR ENDED DECEMBER 31,	
	2001	2000
Residential lot sales	86	178
Average sales price per lot(1)	$688,000	$619,000

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(1) Including equity golf memberships.

- With the higher priced residential lots being completed during the latter phases of development at Desert Mountain, the average sales price per lot increased by $69,000, or 11%, for the year ended December 31, 2001, as compared to the same period in 2000. As a result of product mix and a decline in the economy combined with the events of September 11, 2001, the number of lot sales decreased to 86 lots for the year ended December 31, 2001, as compared to 178 lots for the same period in 2000.

- Approved future buildout is estimated to be approximately 300 residential lots, of which approximately 140 are currently in inventory.

- As a result of product mix and a decline in the economy, the Company projects residential lot sales in 2002 to range between 50 lots and 75 lots at an average sales price per lot ranging between $700,000 and $800,000.

Crescent Resort Development, Inc. ("CRD"), (formerly Crescent Development Management Corp.), Beaver Creek, Colorado:

The following table shows total active projects, residential lot and residential unit sales, commercial land sales and average sales price per lot and unit.

	FOR THE YEAR ENDED DECEMBER 31,			
	2001		2000	
Active projects	14		12	
Residential lot sales	181		343	
Residential unit sales:				
Townhome sales	11		19	
Single-family home sales	--		5	
Equivalent timeshare unit sales	11		--	
Condominium sales	109		26	
Commercial land sales	--	acres	9	acres
Average sale price per residential lot	$ 73,000		$ 136,000	
Average sale price per residential unit	$ 1.0	million	$ 1.6	million

- Average sales price per lot decreased by $63,000, or 46%, and average sales price per unit decreased $0.6 million, or 38%, due to lower priced product mix sold in the year ended December 31, 2001, as compared to the same period in 2000.

- For 2002, the Company projects that residential lot sales will range between 325 lots and 375 lots at an average sales price per lot ranging between $110,000 and $130,000. In addition, the Company expects between 280 and 310 residential unit sales, including single family homes, townhomes and condominiums to be sold at an average sales price per residential unit ranging between $750,000 and $850,000.

TEMPERATURE-CONTROLLED LOGISTICS SEGMENT

As of December 31, 2001, the Company held a 40% interest in the Temperature-Controlled Logistics Partnership, which owns the Temperature-Controlled Logistics Corporation, which directly or indirectly owns the 89 Temperature-Controlled Logistics Properties. The business operations associated with the Temperature-Controlled Logistics Properties are owned by AmeriCold Logistics, which is owned 60% by Vornado Operating, L.P. and 40% by a subsidiary of COPI. The Company has no interest in AmeriCold Logistics.

AmeriCold Logistics, as sole lessee of the Temperature-Controlled Logistics Properties, leases the Temperature-Controlled Logistics Properties from the Temperature-Controlled Logistics Corporation under three triple-net master leases, as amended on January 23, 2002. On February 22, 2001, the Temperature-Controlled Logistics Corporation and AmeriCold Logistics agreed to restructure certain financial terms of the leases, including the adjustment of the rental obligation for 2001 to $146.0 million, the adjustment of the rental obligation for 2002 to $150.0 million (plus contingent rent in certain circumstances), the increase of the Temperature-Controlled Logistics Corporation's share of capital expenditures for the maintenance of the properties from $5.0 million to $9.5 million (effective January 1, 2000) and the extension of the date on which deferred rent was required to be paid to December 31, 2003.

In the first quarter of 2000, AmeriCold Logistics started to experience a slowing in revenue growth from the previous year. This was primarily due to customers focusing more interest on inventory management in an effort to improve operating performance. Starting in 2000 and continuing into 2001, AmeriCold Logistics has seen consolidation among retail and food service channels begin to significantly limit the ability of manufacturers to pass along cost increases by raising prices. Because of this, manufacturers are focused on supply chain cost (such as inventory management, transportation and distribution) reduction initiatives in an effort to improve operating performance. In the second and third quarters of 2000, AmeriCold Logistics deferred a portion of its rent payments in accordance with the terms of the leases of the Temperature-Controlled Logistics Properties. For the three months ended June 30, 2000, the Temperature-Controlled Logistics Corporation recorded a valuation allowance for a portion of the rent that had been deferred during that period, and for the three months ended September 30, 2000 recorded a valuation allowance for 100% of the rent that had been deferred during the three months ended September 30, 2000 and has continued to record a valuation allowance for 100% of the deferred rent prospectively. These valuation allowances resulted in a decrease in the equity in net income of the Company in the Temperature-Controlled Logistics Corporation. The Temperature-Controlled Logistics Corporation had not recorded a valuation allowance with respect to rent deferred by AmeriCold Logistics prior to the quarter ended June 30, 2000, because the financial condition of AmeriCold Logistics prior to that time did not indicate the inability of AmeriCold Logistics ultimately to make the full rental payments. As a result of continuing net losses and the increased amount of deferred rent, the Temperature-Controlled Logistics Corporation determined

that the collection of additional deferred rent was doubtful.

AmeriCold Logistics deferred $25.5 million of rent for the year ended December 31, 2001, of which the Company's share was $10.2 million. AmeriCold Logistics also deferred $19.0 million and $5.4 million of rent for the years ended December 31, 2000 and 1999, respectively, of which the Company's share was $7.5 million and $2.1 million, respectively. In December 2001, the Temperature-Controlled Logistics Corporation waived its rights to collect $39.8 million of the total $49.9 million of deferred rent, of which the Company's share was $15.9 million. The Temperature-Controlled Logistics Corporation and the Company began to recognize rental income when earned and collected during the year ended December 31, 2000 and continued this accounting treatment for the year ended December 31, 2001; therefore, there was no financial statement impact to the Temperature-Controlled Logistics Corporation or to the Company related to the Temperature-Controlled Logistics Corporation's decision in December 2001 to waive collection of deferred rent.

The following table shows the total, and the Company's portion of the total, deferred rent and valuation allowance at December 31, 2001.

	DEFERRED RENT		VALUATION ALLOWANCE		WAIVED RENT	
(IN MILLIONS)	TOTAL	COMPANY'S PORTION	TOTAL	COMPANY'S PORTION	TOTAL	COMPANY'S PORTION
For the year ended December 31,						
1999	$ 5.4	$ 2.1	$ --	$ --	$ --	$ --
2000	19.0	7.5	16.3	6.5	--	--
2001	25.5	10.2	25.5	10.2	39.8	15.9
Balance at December 31, 2001	$49.9	$ 19.8	$41.8	$ 16.7	$39.8	$ 15.9

The Temperature-Controlled Logistics Corporation completed the acquisition of one facility in the first quarter of 2001 for $10.0 million and completed the construction of one facility in the third quarter of 2001 for $15.8 million, representing a total of approximately 8.5 million cubic feet (0.2 million square feet.)

CHARTER BEHAVIORAL HEALTH SYSTEMS ("CBHS")

As of December 31, 1999, the behavioral healthcare segment consisted of 88 behavioral healthcare properties in 24 states, all of which were leased to CBHS and its subsidiaries under a triple-net master lease. During the year ended December 31, 1999, the Company received cash rental payments of approximately $35.3 million from CBHS. However, during 1999, CBHS's business was negatively affected by many factors, including adverse industry conditions, and CBHS failed to perform in accordance with its operating budget. In the third quarter of 1999 CBHS was unable to meet its rental obligation to the Company. In the third quarter of 1999, the Company, COPI, Magellan Health Services, Inc. ("Magellan") and CBHS commenced a recapitalization of CBHS. As part of this recapitalization, the Company commissioned an independent public accounting firm to assist in the

evaluation of alternatives related to CBHS, which included an appraisal of the behavioral healthcare properties.

The following financial statement charges were made with respect to the Company's investment in the behavioral healthcare properties in the third quarter of 1999:

- CBHS rent was reflected on a cash basis beginning in the third quarter of 1999 due to the uncertainty that CBHS would be able to fulfill its rental obligations under the lease;
- The Company wrote-off the rent that was deferred according to the CBHS lease agreement from the commencement of the lease in June of 1997 through June 30, 1999. The balance written-off totaled $25.6 million;
- The Company wrote-down its behavioral healthcare real estate assets by approximately $103.8 million to a book value of $245.0 million;
- The Company wrote-off the book value of warrants to purchase common shares of Magellan of $12.5 million:
- The Company recorded approximately $15.0 million of additional expense to be used by CBHS as working capital; and
- The Company ceased recording depreciation expense beginning in November of 1999 on the behavioral healthcare properties that were classified as held for disposition.

On February 16, 2000, CBHS and all of its subsidiaries that were subject to the master lease with the Company filed voluntary Chapter 11 bankruptcy petitions in the United States Bankruptcy Court for the District of Delaware.

During the year ended December 31, 2000, payment and treatment of rent for the behavioral healthcare properties was subject to a rent stipulation agreed to by certain of the parties involved in the CBHS bankruptcy proceeding. The Company received approximately $15.4 million in rent and interest from CBHS during the year ended December 31, 2000. The Company also completed the sale of 60 behavioral healthcare properties previously classified as held for disposition, which were included in Net Investment in Real Estate, during the year ended December 31, 2000. The sales generated approximately $233.7 million in net proceeds and a net gain of approximately $58.6 million for the year ended December 31, 2000. During the year ended December 31, 2000, the Company recognized an impairment loss of approximately $9.3 million on the behavioral healthcare properties held for disposition. This amount represents the difference between the carrying values and the estimated sales prices less the costs of the sales. At December 31, 2000, the carrying value of the 28

behavioral healthcare properties classified as held for disposition was approximately $68.5 million (contained in Net Investment In Real Estate). Depreciation expense has not been recognized since the dates the behavioral healthcare properties were classified as held for sale.

The Company received approximately $6.0 million in repayment of a working capital loan from CBHS during the year ended December 31, 2001. The Company also completed the sale of 18 behavioral healthcare properties previously classified as held for disposition during the year ended December 31, 2001. The sales generated approximately $34.7 million in net proceeds and a net

gain of approximately $1.6 million for the year ended December 31, 2001.

During the year ended December 31, 2001, the Company recognized an impairment loss of approximately $8.5 million on the behavioral healthcare properties held for disposition. This amount represents the difference between the carrying values and the estimated sales prices less the costs of the sales. At December 31, 2001, the carrying value of the 10 behavioral healthcare properties classified as held for disposition was approximately $27.9 million (contained in Net Investment in Real Estate). Depreciation expense has not been recognized since the dates the behavioral healthcare properties were classified as held for sale.

RESULTS OF OPERATIONS

The following table shows the Company's financial data as a percentage of total revenues for the three years ended December 31, 2001, 2000 and 1999 and the variance in dollars between the years ended December 31, 2001 and 2000 and the years ended December 31, 2000 and 1999. See "Note 3. Segment Reporting" included in "Item 8. Financial Statements and Supplementary Data" for financial information about investment segments.

	FINANCIAL DATA AS A PERCENTAGE OF TOTAL REVENUES FOR THE YEAR ENDED DECEMBER 31,			T
	2001	2000	1999	200
REVENUES				
Office properties	87.6%	84.3%	82.2%	$
Resort/Hotel properties	6.6	10.1	8.8	
Interest and other income	5.8	5.6	9.0	
TOTAL REVENUES	100.0%	100.0%	100.0%	$
EXPENSES				
Operating expenses	37.7%	34.7%	34.3%	$
Corporate general and administrative	3.5	3.4	2.2	
Interest expense	26.4	28.5	25.9	
Amortization of deferred financing costs	1.3	1.3	1.4	
Depreciation and amortization	18.0	17.2	17.6	
Settlement of merger dispute	--	--	2.0	
Impairment and other charges related to real estate assets	3.6	2.5	24.1	
Impairment and other charges related to COPI	13.5	--	--	
TOTAL EXPENSES	104.0%	87.6%	107.5%	
OPERATING (LOSS) INCOME	(4.0)%	12.4%	(7.5)%	$
OTHER INCOME				

Equity in net income of unconsolidated companies:				
Office properties	0.9	0.4	0.7	
Residential development properties	5.9	7.5	5.8	
Temperature-controlled logistics properties	0.2	1.1	2.0	
Other	0.4	1.6	0.7	
TOTAL EQUITY IN NET INCOME FROM UNCONSOLIDATED COMPANIES	7.4%	10.6%	9.2%	$
Gain on property sales, net	0.6	19.3	--	
TOTAL OTHER INCOME AND EXPENSE	8.0%	29.9%	9.2%	$
(LOSS) INCOME BEFORE MINORITY INTERESTS, EXTRAORDINARY ITEM AND DISCONTINUED OPERATIONS	4.0%	42.3%	1.7%	$
Minority interests	(3.1)	(7.1)	(0.3)	
NET (LOSS) INCOME BEFORE EXTRAORDINARY ITEM AND DISCONTINUED OPERATIONS	0.9%	35.2%	1.4%	$
Extraordinary item - extinguishment of debt	(1.6)	(0.5)	--	
Discontinued Operations	--	0.1	0.1	
NET (LOSS) INCOME	(0.7)%	34.8%	1.5%	$
6 3/4% Series A Preferred Share distributions	(1.9)	(1.9)	(1.8)	
Share repurchase agreement return	--	(0.4)	(0.1)	
Forward share purchase agreement return	--	--	(0.6)	
NET (LOSS) INCOME AVAILABLE TO COMMON SHAREHOLDERS	(2.6)%	32.5%	(1.0)%	$

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2001 TO THE YEAR ENDED DECEMBER 31, 2000

REVENUES

Total revenues decreased $21.9 million, or 3.1%, to $692.0 million for the year ended December 31, 2001, as compared to $713.9 million for the year ended December 31, 2000. The primary components of the decrease in total revenues are discussed below.

The increase in Office Property revenues of $4.6 million, or 0.8%, for the year ended December 31, 2001, as compared to the year ended December 31, 2000, is attributable to:

- increased revenues of $31.5 million from the 70 consolidated Office Properties that the Company owned or had an interest in

as of December 31, 2001, excluding the four Office Properties held for sale at December 31, 2001, primarily as a result of increased full-service weighted average rental rates (reflecting increases in both rental revenue and operating expense recoveries), and increased occupancy; and

- increased other income of $4.2 million, primarily due to parking revenue; partially offset by

- decreased revenues of $27.2 million due to the disposition of 11 Office Properties and four retail properties during 2000, compared to the disposition of five Office Properties and the joint ventures of two Office Properties during 2001; and

- decreased lease termination fees (net of the write-off of deferred rent receivables) of $3.9 million, from $12.0 million for the year ended December 31, 2000, to $8.0 million for the year ended December 31, 2001.

The decrease in Resort/Hotel Property revenues of $26.4 million, or 36.6%, for the year ended December 31, 2001, as compared to the year ended December 31, 2000, is attributable to:

- decreased revenues from the upscale business-class hotels of $8.1 million, due to the disposition of the Four Seasons Hotel - Houston in November 2000;

- decreased revenues of $6.3 million due to a decrease in rental income attributed to the softening of the economy and the events of September 11, 2001; and

- decreased revenues of $12.0 million due to not recognizing revenue during the fourth quarter of 2001 under the leases with COPI.

EXPENSES

Total expenses increased $95.1 million, or 15.2%, to $720.1 million for the year ended December 31, 2001, as compared to $625.0 million for the year ended December 31, 2000. The primary components of the increase in total expenses are discussed below.

The increase in Office Property operating expenses of $13.3 million, or 5.4%, for the year ended December 31, 2001, as compared to the year ended December 31, 2000, is attributable to:

- increased expenses of $24.4 million from the 70 consolidated Office Properties that the Company owned or had an interest in as of December 31, 2001, excluding the four Office Properties held for sale at December 31, 2001, primarily as a result of increased operating expenses for utilities of $7.8 million, taxes of $3.6 million and other increased operating expenses such as insurance, security, and technology initiatives of $13.3 million during the year ended December 31, 2001, as compared to the same period in 2000; partially offset by

- decreased expenses of $11.1 million due to the disposition of 11 Office Properties and four retail properties during 2000, compared to the disposition of five Office Properties and the joint ventures of two Office Properties during 2001.

The decrease in interest expense of $20.8 million, or 10.2%, for the year ended December 31, 2001, as compared to the same period in 2000, is primarily attributable to a decrease in the weighted average interest rate of 0.61%, or $14.0 million of interest expense, combined with a decrease in the average debt balance of $104.0 million, or $8.0 million of interest expense.

The increase in impairment and other charges related to real estate assets of $7.4 million is due to:

- the conversion of the Company's preferred member interest in Metropolitan Partners, LLC ("Metropolitan") into common stock of Reckson Associates Realty Corp. ("Reckson"), which resulted in an impairment charge of $11.8 million; partially offset by
- a decrease in the impairment loss of $3.5 million, from $8.5 million in 2000 to $5.0 million in 2001, recognized on a fund which primarily holds real estate investments and marketable securities, in which the Company has an interest; and
- a decrease in the impairment of the behavioral healthcare properties of $0.9 million.

The increase in impairment and other charges related to COPI of $92.8 million is due to the reduction in net assets of $74.8 million, primarily attributable to the write-down of debt and rental obligations of COPI to the estimated underlying collateral value of assets to be received from COPI, and estimated COPI bankruptcy costs to be funded by the Company of $18.0 million.

OTHER INCOME

Other income decreased $157.5 million, or 73.9%, to $55.7 million for the year ended December 31, 2001, as compared to $213.2 million for the year ended December 31, 2000. This decrease is due to:

The decrease in equity in net income of unconsolidated companies of $24.5 million, or 32.4%, for the year ended December 31, 2001, as compared to the same period in 2000, is primarily attributable to:

- a decrease in equity in net income of unconsolidated Residential Development Properties of $12.5 million, or 24%, primarily attributable to lower lot sales at Desert Mountain during the year ended December 31, 2001, resulting in a decrease of $16.3 million; partially offset by higher unit sales at CRD, resulting in an increase of $4.5 million;
- a decrease in equity in net income of the Temperature-Controlled Logistics Properties of $6.3 million, or 85%, due to the lease restructuring in 2001 and an increase in deferred rent of $9.2 million; and
- a decrease in equity in net income of other unconsolidated Properties of $8.6 million, or 75.0%, primarily attributable to lower earnings of $3.8 million from Metropolitan due to the conversion of the Company's preferred member interest into common stock of Reckson in May 2001, the $1.0 million write-off of the Company's investment in a retail distribution

company and lower earnings from DBL Holdings, Inc. ("DBL") of $1.7 million, due to an approximate $12.2 million return of investment received in March 2001; partially offset by

- an increase in equity in net income of the unconsolidated Office Properties of $2.9 million, or 94.0%, primarily attributable to lower interest expense at one unconsolidated office property.

The net decrease in gain on property sales of $133.0 million for the year ended December 31, 2001, as compared to the same period in 2000, is attributable to a decrease in net gains recognized primarily on Office, Resort/Hotel and behavioral healthcare property sales for the year ended December 31, 2001, as compared with the same period in 2000.

DISCONTINUED OPERATIONS

The income from discontinued operations from assets sold and held for sale decreased $0.9 million, or 100.0%, for the year ended December 31, 2001, compared to $0.9 million for the year ended December 31, 2000. This decrease is primarily due to a decrease in net operating income of one Office Property held for sale of approximately $1.3 million, partially offset by the increase in net operating income of three of the Office Properties held for sale of approximately $0.4 million.

EXTRAORDINARY ITEMS

The increase in extraordinary items of $6.9 million, or 176.9%, is attributable to the write-off of deferred financing costs related to the early extinguishment of the UBS Facility in May 2001 of $10.8 million, compared with the write-off of deferred financing costs related to the early extinguishment of the BankBoston Facility in February 2000 of $3.9 million.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2000 TO THE YEAR ENDED DECEMBER 31, 1999

REVENUES

Total revenues decreased $27.8 million, or 3.7%, to $713.8 million for the year ended December 31, 2000, as compared to $741.6 million for the year ended December 31, 1999.

The decrease in Office Property revenues of $8.4 million, or 1.4%, for the year ended December 31, 2000, as compared to the same period in 1999, is attributable to:

- decreased revenues of $38.0 million due to the disposition of 11 Office Properties and four retail properties during 2000, which contributed revenues during the full year of 1999, as compared to a partial year in 2000; partially offset by

- increased revenues of $24.4 million from the 74 Office Properties owned as of December 31, 2000, excluding the four Office Properties held for sale at December 31, 2000, primarily as a result of increased weighted average full-service rental rates at these Properties; and

- increased revenues of $5.2 million from lease termination fees.

The increase in Resort/Hotel Property revenues of $6.9 million, or 10.6%, for the year ended December 31, 2000, as compared to the same period in 1999, is attributable to:

- increased revenues of $3.1 million at the luxury resorts and spas primarily due to an increase in percentage rents resulting from increased room revenue due to the 30-room expansion at the Sonoma Mission Inn & Spa that opened in April 2000;

- increased revenues of $2.6 million at the business class hotels primarily due to (i) the reclassification of the Renaissance Houston Hotel from the Office segment to the Resort/Hotel segment as a result of the restructuring of its lease on July 1, 1999, which resulted in $2.4 million of incremental revenues under the new lease and (ii) increased percentage rents due to higher room and occupancy rates at the Omni Austin Hotel, partially offset by (iii) decreased revenues of $1.2 million due to the disposition of one Resort/Hotel Property during the fourth quarter of 2000, which contributed revenues during the full year of 1999, as compared to a partial year in 2000; and

- increased revenues of $1.2 million at the destination fitness resorts and spas primarily due to an increase in percentage rents at the Canyon Ranch Properties as a result of higher room rates.

The decrease in interest and other income of $26.4 million, or 39.7%, for the year ended December 31, 2000, as compared to the same period in 1999, is primarily attributable to the recognition of rent from Charter Behavioral Health Systems, LLC ("CBHS") on a cash basis beginning in the third quarter of 1999, the filing of voluntary bankruptcy petitions by CBHS and its subsidiaries on February 16, 2000, and a rent stipulation agreed to by certain parties to the bankruptcy proceedings, which resulted in a reduction in behavioral healthcare property revenues, which are included in interest and other income, to $15.4 million for the year ended December 31, 2000 as compared to $41.1 million for the same period in 1999.

EXPENSES

Total expenses decreased $172.6 million, or 21.6%, to $625.0 million for the year ended December 31, 2000, as compared to $797.6 million for the year ended December 31, 1999.

The decrease in Office Property operating expenses of $7.0 million, or 2.7%, for the year ended December 31, 2000, as compared to the same period in 1999, is attributable to:

- decreased expenses of $17.1 million due to the disposition of 11 Office Properties and four retail properties during 2000, which incurred expenses during the full year of 1999, as compared to a partial year in 2000; partially offset by

- increased expenses of $10.1 million from the 74 Office Properties owned as of December 31, 2000, excluding the four Office Properties held for sale at December 31, 2000, as a result of (i) increased general repair and maintenance expenses at these Properties of $5.6 million and (ii) an increase in real estate taxes of $4.5 million.

The increase in corporate general and administrative expense of $7.8 million, or 47.9%, for the year ended December 31, 2000, as compared to the same period in 1999, is primarily attributable to technology initiatives, employee retention programs, incentive compensation, and additional personnel.

The increase in interest expense of $11.2 million, or 5.8%, for the year ended December 31, 2000, as compared to the same period in 1999, is primarily attributable to an increase in the weighted-average interest rate from 7.4% in 1999 to 8.4% in 2000, partially offset by a decrease in average debt balance outstanding from $2.6 billion in 1999 to $2.4 billion in 2000.

The decrease in depreciation and amortization expense of $7.8 million, or 6.0%, for the year ended December 31, 2000, as compared to the same period in 1999, is primarily attributable to the cessation of the recognition of depreciation expense on Office Properties and behavioral healthcare properties from the dates they were classified as held for disposition.

An additional decrease in expenses of $176.8 million is primarily attributable to:

- non-recurring costs of $15.0 million in connection with the settlement of litigation relating to the merger agreement entered into in January 1998 between the Company and Station Casinos, Inc. in the first quarter of 1999; and

- a decrease of $169.5 million due to the $162.0 million impairment and other charges related to the behavioral healthcare properties in the third quarter of 1999 and the $16.8 million impairment charge in the fourth quarter of 1999 on one of the Office Properties held for disposition as compared to the $9.3 million impairment related to the behavioral healthcare properties in the year ended December 31, 2000; partially offset by

- an impairment loss of $8.5 million recognized in 2000 on a fund which primarily holds real estate investments and marketable securities, in which the Company has an interest.

OTHER INCOME

Other income increased $144.9 million, or 212.2%, to $213.2 million for the year ended December 31, 2000, as compared to $68.3 million for the year ended December 31, 1999. The components of the increase in other income are discussed below.

The increase in equity in unconsolidated companies of $7.4 million, or 10.8%, for the year ended December 31, 2000, as compared to the same period in 1999 is attributable to:

- an increase in equity in net income of the Residential Development Corporations of $10.6 million, or 24.7%, attributable to (i) an increase in average sales price per lot and an increase in membership conversion revenue at Desert Mountain, partially offset by a decrease in lot absorption, which resulted in an increase of $6.0 million in equity in net

income to the Company; (ii) an increase in residential lot and

commercial land sales and an increase in average sales price per lot at The Woodlands Land Development Company, L.P., partially offset by a decrease in average sales price per acre from commercial land sales, which resulted in an increase of $5.9 million in equity in net income to the Company; and (iii) an increase in commercial acreage sales at CRD, partially offset by a decrease in single-family home sales, which resulted in an increase of $0.8 million in equity in net income to the Company; partially offset by (iv) a decrease in commercial land sales at Houston Area Development Corp., which resulted in a decrease of $2.1 million in equity in net income to the Company; and

- an increase in equity in net income of the other unconsolidated companies of $6.5 million, or 127.5%, primarily as a result of (i) the dividend income attributable to the 7.5% per annum cash flow preference of the Company's $85.0 million preferred member interest in Metropolitan, which the Company purchased in May 1999; and (ii) an increase in the equity in earnings from DBL as a result of its investment in G2 Opportunity Fund, L.P. ("G2"), which was made in the third quarter of 1999; partially offset by

- a decrease in equity in net income of the Temperature-Controlled Logistics Partnership of $7.6 million, or 50.7%, resulting primarily from the recognition of a rent receivable valuation allowance for the year ended December 31, 2000 of $6.5 million; and

- a decrease in equity in net income of the unconsolidated office properties of $2.1 million, or 39.6%, primarily attributable to an increase in interest expense as a result of additional financing obtained in July 2000 and an increase in the average rate of debt at The Woodlands Commercial Properties Company, L.P.

The increase in net gain on property sales of $137.5 million for the year ended December 31, 2000, as compared to the same period in 1999, is attributable to net gains primarily recognized on Office, Resort/Hotel and behavioral healthcare property sales.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $36.3 million and $39.0 million at December 31, 2001, and December 31, 2000, respectively. This 6.9% decrease is attributable to $425.5 million used in financing activities, partially offset by $210.0 million and $212.8 million provided by investing and operating activities, respectively.

	DECEMBER 31, 2001
	(in millions)
Cash Provided by Operating Activities	$ 212.8
Cash Provided by Investing Activities	210.0
Cash Used in Financing Activities	(425.5)
Decrease in Cash and Cash Equivalents	$ (2.7)
Cash and Cash Equivalents, Beginning of Period	39.0
Cash and Cash Equivalents, End of Period	$ 36.3

OPERATING ACTIVITIES

The Company's cash provided by operating activities of $212.8 million is attributable to:

- $199.4 million from Property operations; and
- $13.4 million representing distributions received in excess of equity in earnings from unconsolidated companies.

INVESTING ACTIVITIES

The Company's cash provided by investing activities of $210.0 million is primarily attributable to:

- $200.4 million of net sales proceeds primarily attributable to the disposition of the two Washington Harbour Office Properties, three Woodlands Office Properties and 18 behavioral healthcare properties;
- $129.7 million of proceeds from joint venture partners, primarily as a result of the proceeds of $116.7 million from the joint ventures of two existing Office Properties, Bank One Tower in Austin, Texas and Four Westlake Park in Houston, Texas and $12.9 million from the joint venture of 5 Houston Center Office Property, which is currently being developed;
- $107.9 million of proceeds from the sale of marketable securities; and
- $32.0 million from return of investment in unconsolidated office properties, Residential Development Properties and other unconsolidated companies.

The Company's cash provided by investing activities is partially offset by:

- $124.6 million of additional investment in unconsolidated companies, consisting of investments in (i) the upscale Residential Development Properties of $89.0 million, primarily as a result of CRD's

investment in Tahoe Mountain Resorts, (ii) Temperature-Controlled Logistics Properties of $10.8 million, (iii) Office Properties of $16.4 million and (iv) other unconsolidated companies of $8.4 million;

- $51.8 million for recurring and non-recurring tenant improvement and leasing costs for the Office Properties;
- $46.4 million for capital expenditures for rental properties, primarily attributable to non-recoverable building improvements for the Office Properties and replacement of furniture, fixtures and equipment for the Resort/Hotel Properties;
- $23.7 million for the development of investment properties, including $12.3 million for development of the 5 Houston Center Office Property and expansions and renovations at the Resort/Hotel Properties;

- a $11.2 million increase in notes receivable, primarily as a result of approximately $10.0 million related to secured loans to AmeriCold Logistics; and
- a $2.2 million increase in restricted cash and cash equivalents, primarily related to the escrow of funds to purchase a parking garage in Denver, Colorado, which was purchased during the first quarter of 2002, partially offset by escrow reimbursements for capital expenditures at the Resort/Hotel Properties and the Office Properties.

FINANCING ACTIVITIES

The Company's use of cash for financing activities of $425.5 million is primarily attributable to:

- net repayment of the UBS Facility of $553.5 million;
- distributions to common shareholders and unitholders of $245.1 million;
- repayment and retirement of the iStar Financial Note of $97.1 million;
- repurchase of the Company's common shares for $77.4 million;
- repayment and retirement of the Deutsche Bank Short-term Loan of $75.0 million;
- net capital distributions to joint venture partners of $25.4 million, primarily due to distributions to joint venture preferred equity partners;
- debt financing costs of $16.0 million; and

- distributions to preferred shareholders of $13.5 million.

The use of cash for financing activities is partially offset by:

- net borrowings under the Fleet Facility of $283.0 million;
- proceeds from notes payable of $393.3 million, primarily attributable to the debt refinancing; and
- proceeds from the exercise of common share options of $9.8 million.

COPI

In April 1997, the Company established a new Delaware corporation, Crescent Operating, Inc., ("COPI"). All of the outstanding common stock of COPI, valued at $0.99 per share, was distributed, effective June 12, 1997, to those persons who were limited partners of the Operating Partnership or shareholders of the Company on May 30, 1997, in a spin-off.

COPI was formed to become a lessee and operator of various assets to be acquired by the Company and to perform the intercompany agreement between COPI and the Company, pursuant to which each agreed to provide the other with rights to participate in certain transactions. The Company was not permitted to operate or lease these assets under the tax laws in effect at that time, applicable to REITs. In connection with the formation and capitalization of COPI, and the subsequent operations and investments of COPI since 1997, the Company made loans to COPI under a line of credit and various term loans.

On January 1, 2001, The REIT Modernization Act became effective. This legislation allows the Company, through its subsidiaries, to operate or lease certain of its investments that had been previously operated or leased by COPI.

COPI and the Company entered into an asset and stock purchase agreement on June 28, 2001, in which the Company agreed to acquire the lessee interests in the eight Resort/Hotel Properties leased to subsidiaries of COPI, the voting interests held by subsidiaries of COPI in three of the Company's Residential Development Corporations and other assets in exchange for $78.4 million. In connection with that agreement, the Company agreed that it would not charge interest on its loans to COPI from May 1, 2001 and that it would allow COPI to defer all principal and interest payments due under the loans until December 31, 2001.

Also on June 28, 2001, the Company entered into an agreement to make a $10.0 million investment in Crescent Machinery Company ("Crescent Machinery"), a wholly owned subsidiary of COPI. This investment, together with capital from a third-party investment firm, was expected to put Crescent Machinery on solid financial footing.

Following the date of the agreements relating to the acquisition of COPI assets and stock and the investment in Crescent Machinery, the results of operations for the COPI hotel operations and the COPI land development interests declined, due in part to the slowdown in the economy after September 11. In addition, Crescent Machinery's results of operations suffered because of the economic environment and the overall reduction in national construction levels that has affected the equipment rental and sale business, particularly post

September 11. As a result, the Company believes that a significant additional investment would have been necessary to adequately capitalize Crescent Machinery and satisfy concerns of Crescent Machinery's lenders.

The Company stopped recording rent from the leases of the eight Resort/Hotel Properties leased to subsidiaries of COPI on October 1, 2001, and recorded impairment and other adjustments related to COPI in the fourth quarter of 2001, based on the estimated fair value of the underlying assets. See "Note 16. COPI" included in "Item 8. Financial Statements and Supplementary Data" for a description of these charges.

On January 22, 2002, the Company terminated the purchase agreement pursuant to which the Company would have acquired the lessee interests in the eight Resort/Hotel Properties leased to subsidiaries of COPI, the voting interests held by subsidiaries of COPI in three of the Residential Development Corporations and other assets. On February 4, 2002, the Company terminated the agreement relating to its planned investment in Crescent Machinery.

On February 6, 2002, Crescent Machinery filed for protection under the federal bankruptcy laws.

On February 12, 2002, the Company delivered default notices to COPI relating to approximately $49.0 million of unpaid rent and approximately $76.2 million of principal and accrued interest due to the Company under certain secured loans.

On February 14, 2002, the Company executed an agreement (the "Agreement") with COPI, pursuant to which COPI transferred to subsidiaries of the Company, in lieu of foreclosure, COPI's lessee interests in the eight Resort/Hotel Properties leased to subsidiaries of COPI and, pursuant to a strict foreclosure, COPI's voting interests in three of the Company's Residential Development Corporations and other assets and the Company agreed to assist and provide funding to COPI for the implementation of a prepackaged bankruptcy of COPI. In connection with the transfer, COPI's rent obligations to the Company were reduced by $23.6 million, and its debt obligations were reduced by $40.1 million. These amounts include $18.3 million of value attributed to the lessee interests transferred by COPI to the Company, however, in accordance with GAAP, the Company assigned no value to these interests for financial reporting purposes.

The Company holds the lessee interests in the eight Resort/Hotel Properties and the voting interests in the three Residential Development Corporations through three newly organized limited liability companies that are wholly owned taxable REIT subsidiaries of the Company. The Company will include these assets in its Resort/Hotel Segment and its Residential Development Segment, and will fully consolidate the operations of the eight Resort/Hotel Properties and the three Residential Development Corporations, beginning on the date of the transfers of these assets.

The Agreement provides that the Company and COPI will jointly seek to have a pre-packaged bankruptcy plan for COPI, reflecting the terms of the Agreement, approved by the bankruptcy court. Under the Agreement, the Company agreed to provide approximately $14.0 million to COPI in the form of cash and common shares of the Company to fund costs, claims and expenses relating to the bankruptcy and related transactions, and to provide for the distribution of the Company's common shares to the COPI stockholders. The Company has also agreed, however, that it will issue common shares with a minimum dollar value of approximately $2.2 million to the COPI stockholders, even if it would cause the total costs, claims and expenses that it pays to exceed $14.0 million. Currently, the Company estimates that the value of the common shares that will be issued to the COPI stockholders will be approximately $2.2 million to $5.4

million. The actual value of the common shares issued to the COPI stockholders will not be determined until the confirmation of COPI's bankruptcy plan and could vary from the estimated amounts, but will have a value of at least $2.2 million.

In addition, the Company has agreed to use commercially reasonable efforts to assist COPI in arranging COPI's repayment of its $15.0 million obligation to Bank of America, together with any accrued interest. COPI obtained the loan primarily to participate in investments with the Company. At the time COPI obtained the loan, Bank of America required, as a condition to making the loan, that Richard E. Rainwater, the Chairman of the Board, and John C. Goff, the Chief Executive Officer of the Company, enter into a support agreement with COPI and Bank of America, pursuant to which they agreed to

make additional equity investments in COPI if COPI defaulted on payment obligations under its line of credit with Bank of America and the net proceeds of an offering of COPI securities were insufficient to allow COPI to pay Bank of America in full. Effective December 31, 2001, the parties executed an amendment to the line of credit providing that any defaults existing under the line of credit on or before March 8, 2002 are temporarily cured unless and until a new default shall occur.

Previously, the Company held a first lien security interest in COPI's entire membership interest in AmeriCold Logistics. REIT rules prohibit the Company from acquiring or owning the membership interest that COPI owns in AmeriCold Logistics. Under the Agreement, the Company agreed to allow COPI to grant Bank of America a first priority security interest in the membership interest and to subordinate its own security interest to Bank of America. In addition, the Company expects to form and capitalize a separate entity to be owned by the Company's shareholders and unitholders, and to cause the new entity to commit to acquire COPI's entire membership interest in the tenant, for between $15.0 and $15.5 million. Under the Agreement, COPI has agreed that it will use the proceeds of the sale of the membership interest to repay Bank of America in full.

If the COPI bankruptcy plan is approved by the required vote of the shares of COPI common stock, the stockholders of COPI will receive the Company's common shares. As stockholders of COPI, Mr. Rainwater and Mr. Goff will also receive the Company's common shares.

Pursuant to the COPI bankruptcy plan, the current and former directors and officers of COPI and the current and former trust managers and officers of the Company also have received a release from COPI of liability for any actions taken prior to February 14, 2002, and, depending on various factors, will receive certain liability releases from COPI and its stockholders.

Completion and effectiveness of the plan of reorganization for COPI is contingent upon a number of conditions, including the vote of COPI's stockholders, the approval of the plan by certain of COPI's creditors and the approval of the bankruptcy court.

INVESTMENTS IN REAL ESTATE MORTGAGES AND EQUITY OF UNCONSOLIDATED COMPANIES

Investments in which the Company does not have a controlling interest are accounted for under the equity method. The following is a summary of the Company's ownership in significant joint ventures or equity investments:

ENTITY	CLASSIFICATION
Desert Mountain Development Corporation (1)	Residential Development Corporation
The Woodlands Land Company, Inc.(1)	Residential Development Corporation
Crescent Resort Development, Inc. (1)	Residential Development Corporation
Mira Vista Development Corp.	Residential Development Corporation
Houston Area Development Corp.	Residential Development Corporation
Temperature-Controlled Logistics Partnership	Temperature-Controlled Logistics
The Woodlands Commercial Properties Company, L.P.	Office
Main Street Partners, L.P.	Office (Bank One Center)
Crescent 5 Houston Center, L.P.	Office (5 Houston Center)
Austin PT BK One Tower Office Limited Partnership	Office (Bank One Tower)
Houston PT Four Westlake Office Limited Partnership	Office (Four Westlake Park)
DBL Holdings, Inc.	Other
CRL Investments, Inc.(1)	Other
CR License, LLC (1)	Other

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(1) On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to subsidiaries of the Company, pursuant to a strict foreclosure, COPI's interest in these entities. The Company will fully consolidate the operations of these entities, other than CR License, LLC, beginning on the date of the asset transfers.

(2) See the Residential Development Properties Table included in "Item 2. Properties" for the Residential Development Corporation's ownership interest in the Residential Development Properties.

(3) The remaining 5.0% interest in Desert Mountain Development Corporation, representing 100% of the voting stock, was owned by COPI as of December 31, 2001.

(4) The remaining 5.0% interest in The Woodlands Land Company, Inc., representing 100% of the voting stock, was owned by COPI as of December 31, 2001.

(5) The remaining 10.0% interest in Crescent Resort Development, Inc., representing 100% of the voting stock, is owned by COPI Colorado, L. P., of which 60.0% was owned by COPI as of December 31, 2001, with 20% owned by John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company, and 20% owned by a third party.

(6) The remaining 6.0% interest in Mira Vista Development Corp. ("MVDC"), representing 100% of the voting stock, is owned 4.0% by DBL Holdings, Inc. ("DBL") and 2.0% by third parties.

(7) The remaining 6.0% interest in Houston Area Development Corp. ("HADC"), representing 100% of the voting stock, is owned 4.0% by DBL and 2.0% by a third party.

(8) The remaining 60.0% interest in the Temperature-Controlled Logistics

Partnership is owned by Vornado Realty Trust, L.P.

(9) The remaining 57.5% interest in The Woodlands Commercial Properties Company, L. P. is owned by Morgan Stanley Real Estate Fund II, L. P. ("Morgan Stanley").

(10) Distributions are made to partners based on specified payout percentages. During the year ended December 31, 2001, the payout percentage to the Company was 49.5%.

(11) The remaining 50.0% interest in Main Street Partners, L.P. is owned by TrizecHahn Corporation.

(12) See "5 Houston Center" below.

(13) See "Four Westlake Park and Bank One Tower" below.

(14) John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company, obtained the remaining 2.6% economic interest in DBL (including 100% of the voting interest in DBL) in exchange for his voting interests in MVDC and HADC, originally valued at approximately $0.4 million, and approximately $0.06 million in cash, or total consideration valued at $0.4 million. At December 31, 2001, Mr. Goff's interest in DBL was approximately $0.6 million.

(15) The remaining 5.0% interest in CRL Investments, Inc. was owned by COPI as of December 31, 2001.

(16) Of the remaining 71.5% interest in CR License, LLC, 70.0% is owned by a group of individuals unrelated to the Company, and 1.5% was owned by COPI, as of December 31, 2001.

JOINT VENTURE ARRANGEMENTS

5 Houston Center

On June 4, 2001, the Company entered into a joint venture arrangement with a pension fund advised by JP Morgan Investment Management, Inc. ("JPM") to construct the 5 Houston Center Office Property within the Company's Houston Center mixed-use Office Property complex in Houston, Texas. The Class A Office Property will consist of 577,000 net rentable square feet. The joint venture is structured such that the fund holds a 75% equity interest, and the Company holds a 25% equity interest in the Property, which is accounted for under the equity method. The Company contributed approximately $8.5 million of land and $12.3 million of development costs to the joint venture entity and received $14.8 million in net proceeds. No gain or loss was recognized by the Company on this transaction. In addition, the Company is developing, and will manage and lease the Property on a fee basis. During the year ended December 31, 2001, the Company recognized $2.3 million for these services.

During the second quarter of 2001, the joint venture entity obtained an $82.5 million construction loan guaranteed by the Company, due May 2004, that bears interest at Prime (as defined in the loan agreement) plus 100 basis points or LIBOR plus 225 basis points, at the discretion of the borrower. The interest rate on the loan at December 31, 2001, was 4.12%. The balance outstanding on this construction loan at December 31, 2001, was $10.4 million.

Four Westlake Park and Bank One Tower

On July 30, 2001, the Company entered into joint venture arrangements with an affiliate of General Electric Pension Fund ("GE") in which the Company contributed two Office Properties, Four Westlake Park in Houston, Texas, and

Bank One Tower in Austin, Texas into the joint ventures and GE made a cash contribution. The joint ventures are structured such that GE holds an 80% equity interest in each of Four Westlake Park, a 560,000 square foot Class A Office Property located in the Katy Freeway submarket of Houston, and Bank One Tower, a 390,000 square foot Class A Office Property located in downtown Austin. The Company continues to hold the remaining 20% equity interests in each Property, which are accounted for under the equity method. The joint ventures generated approximately $120.0 million in net cash proceeds to the Company, including distributions to the Company resulting from the sale of its 80% equity interest and from mortgage financing at the joint venture level. None of the mortgage financing at the joint venture level is guaranteed by the Company. The Company has no commitment to reinvest the cash proceeds back into the joint ventures. The joint ventures were accounted for as partial sales of these Office Properties, resulting in a gain of approximately $7.6 million, net of a deferred gain of approximately $1.9 million. In addition, the Company manages and leases the Office Properties on a fee basis. During the year ended December 31, 2001, the Company recognized $0.2 million for these services.

UNCONSOLIDATED PROPERTY DISPOSITIONS

On September 27, 2001, the Woodlands Commercial Properties Company, L.P., owned by the Company and an affiliate of Morgan Stanley, sold one office/venture tech property located within The Woodlands, Texas. The sale generated net proceeds, after the repayment of debt, of approximately $2.7 million, of which the Company's portion was approximately $1.3 million. The sale generated a net gain of approximately $3.5 million, of which the Company's portion was approximately $1.7 million. The net proceeds received by the Company were used primarily to pay down variable-rate debt.

On November 9, 2001, The Woodlands Land Development Company, L.P. owned by the Woodlands Land Company, Inc. and an affiliate of Morgan Stanley, sold two office properties and one retail property located within The Woodlands, Texas. The sales generated net proceeds, after the repayment of debt, of approximately $41.8 million, of which the Company's portion was approximately $19.7 million. The sales generated a net gain of approximately $13.3 million, of which the Company's portion was approximately $3.8 million. The net proceeds received by the Company were used primarily to pay down variable-rate debt.

METROPOLITAN

On May 24, 2001, the Company converted its $85.0 million preferred member interest in Metropolitan and $1.9 million of deferred acquisition costs, into approximately $75.0 million of common stock of Reckson, resulting in an impairment charge of approximately $11.9 million. The Company subsequently sold the Reckson common stock on August 17, 2001, for approximately $78.6 million, resulting in a gain of approximately $3.6 million. The proceeds were used to pay down the Fleet Facility.

CONSOLIDATED PROPERTY DISPOSITIONS

During the year ended December 31, 2001, the Company sold five Office Properties, 18 behavioral healthcare properties and other assets. The sales generated net proceeds of approximately $200.4 million and a net gain of approximately $4.4 million.

Office Segment

On July 30, 2001, the GE joint ventures were accounted for as partial sales of two Office Properties, Four Westlake Park in Houston, Texas, and Bank

One Tower in Austin, Texas, resulting in a net gain of approximately $7.6 million, net of a deferred gain of $1.9 million.

On September 18, 2001, the Company completed the sale of the two Washington Harbour Office Properties. The sale generated net proceeds of approximately $153.0 million and a net loss of approximately $9.8 million. The proceeds from the sale of the Washington Harbour Office Properties were used primarily to pay down variable-rate debt and repurchase approximately 4.3 million of the Company's common shares. The Washington Harbour Office Properties were the Company's only Office Properties in Washington, D.C.

On September 28, 2001, The Woodlands Office Equities - '95 Limited ("WOE"), owned by the Company and the Woodlands Commercial Properties Company, L. P., sold two Office Properties located within The Woodlands, Texas. The sale generated net proceeds of approximately $11.3 million, of which the Company's portion was approximately $9.9 million. The sale generated a net gain of approximately $3.4 million, of which the Company's portion was approximately $3.0 million. The proceeds received by the Company were used primarily to pay down variable-rate debt.

On December 20, 2001, WOE sold one Office Property located within The Woodlands, Texas. The sale generated net proceeds of approximately $2.0 million, of which the Company's portion was approximately $1.8 million. The sale generated a net gain of approximately $1.7 million, of which the Company's portion was approximately $1.5 million. The proceeds received by the Company were used primarily to pay down variable-rate debt.

Behavioral Healthcare Properties

During the year ended December 31, 2001, the Company completed the sale of 18 behavioral healthcare properties. The sales generated approximately $34.7 million in net proceeds and a net gain of approximately $1.6 million for the year ended December 31, 2001. The net proceeds from the sale of the 18 behavioral healthcare properties sold during the year

ended December 31, 2001 were used primarily to pay down variable-rate debt. As of December 31, 2001, the Company owned 10 behavioral healthcare properties. The Company is actively marketing these 10 behavioral healthcare properties for sale.

During the year ended December 31, 2001, the Company recognized an impairment loss of $8.5 million on seven of the behavioral healthcare properties held for disposition. This amount represents the difference between the carrying values and the estimated sales prices less costs of the sales for these seven properties.

RELATED PARTY DISCLOSURES

DBL

As of December 31, 2001, the Company owned 97.44% of DBL with the remaining 2.56% economic interest in DBL (including 100% of the voting interest in DBL) held by John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company. Originally, Mr. Goff contributed his

voting interests in MVDC and HADC originally valued at approximately $0.4 million, and approximately $0.06 million in cash, or total consideration valued at approximately $0.4 million for his interest in DBL.

DBL has two wholly owned subsidiaries, DBL-ABC, Inc., and DBL-CBO, Inc., the assets of which are described in the following paragraphs, and DBL directly holds 66% of the voting stock in MVDC and HADC. At December 31, 2001, Mr. Goff's interest in DBL was approximately $0.6 million.

Since June 1999, the Company has contributed approximately $23.8 million to DBL. The contribution was used by DBL to make an equity contribution to DBL-ABC, Inc., which committed to purchase a limited partnership interest representing a 12.5% interest in G2. G2 was formed for the purpose of investing in commercial mortgage backed securities and other commercial real estate investments and is managed and controlled by an entity that is owned equally by Goff-Moore Strategic Partners, LP ("GMSP") and GMAC Commercial Mortgage Corporation ("GMACCM"). The ownership structure of GMSP consists of 50% ownership by Darla Moore, who is married to Richard Rainwater, Chairman of the Board of Trust Managers of the Company, and 50% by John Goff. Mr. Rainwater is also a limited partner of GMSP. At December 31, 2001, DBL has an approximately $14.1 million investment in G2.

In March 1999, DBL-CBO, Inc. acquired $6.0 million aggregate principal amount of Class C-1 Notes issued by Juniper CBO 1999-1 Ltd., a Cayman Island limited liability company. At December 31, 2001 this investment was valued at approximately $5.4 million.

COPI Colorado, L. P.

As of December 31, 2001, CRD was owned 90% by the Company and the remaining 10%, representing 100% of the voting stock, was owned by COPI Colorado, L. P., of which 60% was owned by COPI, with 20% owned by John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company and 20% owned by a third party.

On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to the Company, in lieu of foreclosure, COPI's 60% general partner interest in COPI Colorado. As a result, the Company owns a 96% interest in CRD, John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company owns a 2.0% interest in CRD and the remaining 2.0% interest is owned by a third party. The Company will fully consolidate the operations of CRD beginning on the date of the asset transfers.

Loans to Employees and Trust Managers of the Company for Exercise of Stock Options and Unit Options

As of December 31, 2001, the Company had approximately $32.9 million of loans outstanding (including approximately $4.4 million loaned during the year ended December 31, 2001) to certain employees and trust managers of the Company on a full recourse basis pursuant to the Company's stock incentive plans and unit incentive plans pursuant to an agreement approved by the Board of Directors and the Executive Compensation Committee of the Company. The proceeds of these loans were used by the employees and the trust managers to acquire common shares of the Company pursuant to the exercise of vested stock and unit options. Pursuant to the loan agreements, these loans may be repaid in full or in part at any time without premium or penalty. John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company, had a loan comprising $26.3 million of the $32.9 million total outstanding loans at December 31, 2001.

Every month, federal short-term, mid-term and long-term rates (Applicable Federal Rates) are determined and published by the IRS based upon

average market yields of specified maturities. Effective November 1, 2001, these loans were amended to reduce the interest rates for their remaining terms to the Applicable Federal Rates as of November. As a result, the interest rates on loans with remaining terms of three years or less at November 1, 2001 were reduced to approximately 2.7% per year and the interest rates on loans with remaining terms greater than three years as of November 1, 2001 were reduced to approximately 4.07% per year. These amended interest rates reflect below prevailing market interest

rates; therefore, the Company recorded $0.8 million of compensation expense for the year ended December 31, 2001. Approximately $0.5 million of interest was outstanding related to these loans as of December 31, 2001.

SHELF REGISTRATION STATEMENT

On October 29, 1997, the Company filed a shelf registration statement (the "Shelf Registration Statement") with the SEC relating to the future offering of up to an aggregate of $1.5 billion of common shares, preferred shares and warrants exercisable for common shares. Management believes the Shelf Registration Statement will provide the Company with more efficient and immediate access to capital markets when considered appropriate. As of December 31, 2001, approximately $782.7 million was available under the Shelf Registration Statement for the issuance of securities.

SALE OF PREFERRED EQUITY INTERESTS IN SUBSIDIARY

During the year ended December 31, 2000, the Company formed Crescent Real Estate Funding IX, L.P. ("Funding IX") and contributed seven Office Properties and two Resort/Hotel Properties to Funding IX. As of December 31 2001, Funding IX held seven Office Properties and one Resort/Hotel Property. The Company owns 100% of the common voting interests in Funding IX, 0.1% in the form of a general partner interest and 99.9% in the form of a limited partner interest.

Also during the year ended December 31, 2000, GMAC Commercial Mortgage Corporation ("GMACCM") purchased $275.0 million of non-voting, redeemable preferred Class A Units in Funding IX (the "Class A Units"). The Class A Units were redeemable at the Company's option at the original purchase price. As of December 31, 2000, the Company had redeemed approximately $56.6 million of the Class A units from GMACCM. No redemptions occurred during the year ended December 31, 2001.

The Class A Units received a preferred variable-rate dividend calculated at LIBOR plus 450 basis points, or approximately 6.6% per annum, as of December 31, 2001, and increasing to LIBOR plus 550 basis points beginning March 16, 2002.

Funding IX loaned the net proceeds of the sale of Class A Units in Funding IX and a portion of the net proceeds from the sale of one of the Resort/Hotel Properties held by Funding IX, through an intracompany loan to Crescent SH IX, Inc. ("SH IX"), for the purchase of common shares of the Company. See "Share Repurchase Program" below. This intracompany loan is eliminated in consolidation.

EMPLOYEE STOCK PURCHASE PLAN

On June 25, 2001, the shareholders of the Company approved a new Employee Stock Purchase Plan (the "ESPP"), that is intended to qualify as an

"employee stock purchase plan" under Section 423 of the Internal Revenue Code ("IRC") of 1986, as amended. The ESPP is regarded as a noncompensatory plan under APB No. 25, because it meets the qualifications under IRC 423. Under the terms of the ESPP, eligible employees may purchase common shares of the Company at a price that is equal to 90% of the lower of the common shares' fair market value at the beginning or the end of a quarterly period. The fair market value of a common share is equal to the last sale price of the common shares on the New York Stock Exchange. Eligible employees may purchase the common shares through payroll deductions of up to 10% of eligible compensation. The ESPP is not subject to the provisions of ERISA. The ESPP was effective October 1, 2001, and will terminate on May 14, 2011.

The 1,000,000 common shares that may be issued pursuant to the purchase of common shares under the ESPP represent less than 0.96% of the Company's outstanding common shares at December 31, 2001.

SHARE REPURCHASE PROGRAM

On October 15, 2001, the Company's Board of Trust Managers authorized an increase in the amount of outstanding common shares that can be repurchased from time to time in the open market or through privately negotiated transactions (the "Share Repurchase Program") from $500.0 million to $800.0 million.

The Company commenced its Share Repurchase Program in March 2000. As of December 31, 2001, the Company had repurchased 18,756,423 common shares, 20,286 of which have been retired, at an average price of $19.09 per common

share for an aggregate of approximately $358.1 million. As of December 31, 2001, the Company held 14,468,623 of the repurchased common shares in SH IX. See "Sale of Preferred Equity Interests in Subsidiary" above. These common shares are consolidated as treasury shares in accordance with GAAP.

The Company expects the Share Repurchase Program to continue to be funded through a combination of debt, equity, joint venture capital and selected asset disposition alternatives available to the Company. The amount of common shares that the Company will actually purchase will be determined from time to time, in its reasonable judgment, based on market conditions and the availability of funds, among other factors. There can be no assurance that any number of common shares will actually be purchased within any particular time period.

SHARE REPURCHASE AGREEMENT

On November 19, 1999, the Company entered into an agreement (the "Share Repurchase Agreement") with UBS to purchase a portion of its common shares from UBS. The Company had the option to settle the Share Repurchase Agreement in cash or common shares. During the year ended December 31, 2000, the Company purchased the 5,809,180 common shares from UBS at an average cost of $17.62 per common share for an aggregate of approximately $102.3 million under the Share Repurchase Agreement with UBS.

The Share Repurchase Agreement was accounted for under EITF 96-13 and was considered an equity instrument similar to a preferred stock instrument with a cumulative fixed dividend, the forward accretion component or guaranteed return to UBS was accounted for like a preferred dividend. Additionally, the common shares actually issued and outstanding were considered in both the basic and diluted weighted-average shares calculations. The diluted earnings per share

calculation also included any contingently issuable common shares.

The Company has no further obligation under the Share Repurchase Agreement. The purchases were funded primarily through the sale of Class A Units in Funding IX. See "Sale of Preferred Equity Interests in Subsidiary" above.

BROADBAND

In 2000, the Company made an equity investment in Broadband Office, Inc. ("Broadband"), (a facilities-based provider of broadband data, video and voice communication services delivered over fiber optic networks), and related entities. In May 2001, Broadband filed for Chapter 11 bankruptcy protection, and the Company's investment in Broadband was approximately $7.2 million. Yipes Communications Group, Inc. ("Yipes"), another telecom provider, has received approval from the federal bankruptcy court to acquire certain rights formerly owned by Broadband. In addition, Yipes has executed agreements with nine major real estate entities, including the Company, to assume telecom licensing agreements, in modified formats. As part of this transaction, the Company acquired ownership of certain telecom assets previously owned by Broadband and located within office properties in consideration for conveyance of its equity interest in Broadband to Yipes. These telecom assets were independently appraised and valued in excess of the Company' equity interest in Broadband. As a result, the Company reclassified its investment in Broadband of approximately $7.2 million from Other Assets to Building Improvements during the year ended December 31, 2001. Therefore, Broadband's bankruptcy did not have a material effect on the Company's results of operations for the year ended December 31, 2001 or its financial position as of December 31, 2001.

STATION CASINOS, INC. ("STATION")

As of April 14, 1999, the Company and Station entered into a settlement agreement for the mutual settlement and release of all claims between the Company and Station arising out of the agreement and plan of merger between the Company and Station, which the Company terminated in August 1998. As part of the settlement agreement, the Company paid $15.0 million to Station on April 22, 1999.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," which provides that all business combinations in the scope of the statement are to be accounted for under the purchase method. This statement is effective for all business combinations initiated after June 30, 2001, as well as all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later.

Since the Company currently accounts for its acquisitions under the purchase method, management does not believe that the adoption of this statement will have a material effect on its interim or annual financial statements.

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets" (effective January 1, 2002). SFAS No. 142 specifies that goodwill and certain other types of intangible assets may no longer be amortized, but instead are subject to periodic impairment testing. If an impairment charge is required, the charge is reported as a change in accounting principle and is included in operating results as a Cumulative Effect of a Change in Accounting Principle. SFAS No. 142

provides for a transitional period of up to 12 months. In prior periods, the Company tested goodwill for impairment under the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets," under which an impairment loss is recognized when expected undiscounted future cash flows are less than the carrying value of the asset. For the year ended December 31, 2001, the expected future operating cash flows of the Temperature-Controlled Logistics Corporation on an undiscounted basis exceeded the carrying amounts of the properties and other long-lived assets, including goodwill. Accordingly, no impairment was recognized. Upon the adoption of SFAS 142, the Temperature-Controlled Logistics Corporation compared the fair value of the Temperature-Controlled Logistics Properties based on discounted cash flows to the carrying value of the Temperature-Controlled Logistics Properties and the related goodwill. Based on this test, the fair value did not exceed the carrying value of the assets and, accordingly, the goodwill was impaired. Any need for impairment must be assessed within the first six months and the amount of impairment must be determined within the next six months. Any additional impairment taken in subsequent interim periods during 2002 related to the initial adoption of this statement will require the first quarter financial statements to be restated. During the three months ended March 31, 2002, the Company recognized a goodwill impairment charge of approximately $10.5 million due to the initial application of this statement. This charge was due to impairments (net of minority interests and taxes) of the goodwill at the Temperature-Controlled Logistics Corporation of $9.2 million and one of the Residential Development Corporations of $1.3 million. This charge was reported as a change in accounting principle and was included in the Company's consolidated statements of operations as a "Cumulative Effect of a Change in Accounting Principle" for the three months ended March 31, 2002. (See Item 8. Financial Statements and Supplementary Data within this filing.)

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The Company has determined that SFAS No. 143 will have no material effect on its interim and annual financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 requires that the results of operations, including any gains or losses recognized, be disclosed separately on the consolidated statements of operations. The Company adopted SFAS No. 144 on January 1, 2002. From January 1, 2002 through June 30, 2002, the Company sold three Office Properties and classified two other office assets as held for sale. The Company also owns nine behavioral healthcare properties which are held for sale. In accordance with SFAS No. 144, the results of operations of these assets have been presented as "Discontinued Operations - Income on Assets Sold and Held for Sale" in the accompanying consolidated statements of operations. The carrying values of the assets held for sale have been reflected as "Properties Held for Disposition, Net" in the accompanying consolidated balance sheet as of December 31, 2001 (See Item 8. Financial Statements and Supplementary Data within this filing.) As a result of the adoption, the Company has reclassified certain amounts in prior period financial statements to conform with the new presentation requirements.

LIQUIDITY REQUIREMENTS

As of December 31, 2001, the Company had unfunded capital requirements of approximately $55.9 million relating to capital investments. The table below specifies the Company's total capital requirements relating to these projects, amounts funded as of December 31, 2001, amounts remaining to be funded, and short-term and long-term capital requirements.

(IN MILLIONS) PROJECT	TOTAL COST(1)	AMOUNT FUNDED AS OF DECEMBER 31, 2001	AMOUNT REMAINING TO FUND	CAPITAL REQUIREMENT SHORT-TERM (NEXT 12 MONTHS)(2)	LONG-T (12+ MONTHS
RESIDENTIAL DEVELOPMENT SEGMENT					
Tahoe Mountain Resorts	$100.0	$(71.2)	$ 28.8	$ 28.8	$ -
OTHER					
SunTx (3)	$ 19.0	$ (7.4)	$ 11.6	$ 4.0	$ 7.
Spinco(4)	15.5	--	15.5	15.5	-
	$ 34.5	$ (7.4)	$ 27.1	$ 19.5	$ 7.
TOTAL	$134.5	$(78.6)	$ 55.9	$ 48.3	$ 7.

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(1) All amounts are approximate.

(2) Reflects the Company's estimate of the breakdown between short-term and long-term capital expenditures.

(3) This commitment is related to the Company's investment in a private equity fund.

(4) The Company has agreed to form and capitalize a separate entity to be owned by the Company's shareholders, and to cause the new entity to commit to acquire COPI's entire membership interest in AmeriCold Logistics.

The Company expects to fund its short-term capital requirements of approximately $48.3 million through a combination of cash, net cash flow from operations, return of capital (investment) from the Residential Development Corporations and borrowings under the Fleet Facility. The Company plans to meet its maturing debt obligations during 2002 of approximately $245.2 million, primarily through additional or replacement debt financing or equity transactions.

The Company expects to meet its other short-term capital requirements, consisting of normal recurring operating expenses, regular debt service requirements (including debt service relating to additional and replacement debt), additional interest expense related to the cash flow hedge agreements, recurring capital expenditures, non-recurring capital expenditures, such as tenant improvement and leasing costs, distributions to shareholders and unitholders, and expenses related to the COPI bankruptcy of approximately $14.0 million, primarily through cash flow provided by operating activities. To the extent that the Company's cash flow from operating activities is not sufficient to finance such short-term liquidity requirements, the Company expects to

finance such requirements with available cash proceeds received from joint ventures and select property sales, and borrowings under the Fleet Facility or additional debt financing.

The Company expects to fund its long-term capital requirements of approximately $7.6 million with available cash proceeds received from joint ventures and select property sales, borrowings under the Fleet Facility or additional debt financing and return of capital (investment) from the Residential Development Corporations. The Company's other long-term liquidity requirements as of December 31, 2001, consist primarily of maturities after December 31, 2002, under the Company's fixed and variable-rate debt, which totaled approximately $2.0 billion as of December 31, 2001. The Company expects to meet these long-term liquidity requirements primarily through long-term secured and unsecured borrowings and other debt and equity financing alternatives as well as cash proceeds received from joint ventures and select property sales.

Debt and equity financing alternatives currently available to the Company to satisfy its liquidity requirements and commitments for material capital expenditures include:

- Additional proceeds from the refinancing of existing secured and unsecured debt;
- Additional debt secured by existing underleveraged properties, investment properties, or by investment property acquisitions or developments;
- Issuance of additional unsecured debt;
- Equity offerings including preferred and/or convertible securities; and
- Proceeds from joint ventures and property sales.

The following factors could limit the Company's ability to utilize these financing alternatives:

- The Company may be unable to obtain debt or equity financing on favorable terms, or at all, as a result of the financial condition of the Company or market conditions at the time the Company seeks additional financing;
- Restrictions on the Company's debt instruments or outstanding equity may prohibit it from incurring debt or issuing equity at all, or on terms available under then-prevailing market conditions; and
- The Company may be unable to service additional or replacement debt due to increases in interest rates or a decline in the Company's operating performance.

In addition to the Company's liquidity requirements stated above, as of December 31, 2001, the Company also has guarantees or letters of credit related to approximately $92.2 million, or 17% of the maximum borrowings available under its unconsolidated debt. At December 31, 2001, the Company had guarantees or letters of credit related to approximately $17.0 million, or 4%, of its total outstanding unconsolidated debt. See "Note 4. Investments in Real Estate Mortgages and Equity of Unconsolidated Companies" included "Item 8. Financial Statements and Supplementary Data" and for more information about the Company's unconsolidated investments and the underlying debt related to these investments.

REIT QUALIFICATION

The Company intends to maintain its qualification as a REIT under Section 856 of the Code. As a REIT, the Company generally will not be subject to corporate federal income taxes as long as it satisfies certain technical requirements of the Code, including the requirement to distribute 90% of its REIT taxable income to its shareholders.

DEBT FINANCING ARRANGEMENTS

The significant terms of the Company's primary debt financing arrangements existing as of December 31, 2001, are shown below (dollars in thousands):

DESCRIPTION	MAXIMUM BORROWINGS	INTEREST RATE AT DECEMBER 31, 2001	MATURITY DATE	E
SECURED FIXED RATE DEBT:				
JP Morgan Mortgage Note(1)	$ 199,386	8.31%	October 2016	Oct
AEGON Partnership Note(2)	269,930	7.53	July 2009	J
LaSalle Note I(3)	239,000	7.83	August 2027	Au
LaSalle Note II(4)	161,000	7.79	March 2028	Ma
CIGNA Note (5)	63,500	7.47	December 2002	Dec
Metropolitan Life Note V(6)	38,696	8.49	December 2005	Dec
Northwestern Life Note (7)	26,000	7.66	January 2004	Jan
Mitchell Mortgage Note(8)	6,244	7.00	August 2002	Au
Nomura Funding VI Note (9)	8,187	10.07	July 2020	J
Woodmen of the World Note(10)	8,500	8.20	April 2009	Ap
Rigney Promissory Note (11)	651	8.50	November 2012	J
Subtotal/Weighted Average	$ 1,021,094	7.85%		
UNSECURED FIXED RATE DEBT:				
Notes due 2007(12)	$ 250,000	7.50%	September 2007	Sept
Notes due 2002(12)	150,000	7.00	September 2002	Sept
Subtotal/Weighted Average	$ 400,000	7.31%		
SECURED VARIABLE RATE DEBT(13):				
Fleet Fund I and II Term Loan(14)	$ 275,000	5.39%	May 2005	M
Deutsche Bank - CMBS Loan(15)	220,000	5.84	May 2004	M
Subtotal/Weighted Average	$ 495,000	5.59%		
UNSECURED VARIABLE RATE DEBT:				
JPMorgan Loan Sales Facility(16)	$ 50,000	3.25%		Jan
Fleet Bridge Loan(17)	50,000	5.71	August 2002	Au

Fleet Facility(14)	400,000	3.92	May 2004	M
	$ 500,000	3.93%		
TOTAL/WEIGHTED AVERAGE	$ 2,416,094	6.72%(18)		
AVERAGE REMAINING TERM			8.4 years	4

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(1) At the end of seven years (October 2006), the interest rate will adjust based on current interest rates at that time. It is the Company's intention to repay the note in full at such time (October 2006) by making a final payment of approximately $177.8 million.

(2) The outstanding principal balance of this note at maturity will be approximately $224.1 million. This note is secured by the Greenway Plaza Office Properties. The note agreement requires the Company to maintain compliance with a number of customary covenants, including maintaining the Properties that secure the note and not creating any lien with respect to or otherwise encumbering such Properties.

(3) The note has a seven-year period during which only interest is payable (through August 2002), followed by principal amortization based on a 25-year amortization schedule through maturity. In August 2007, the interest rate will increase, and the Company is required to remit, in addition to the monthly debt service payment, excess property cash flow, as defined, to be applied first against principal until the note is paid in full and thereafter, against accrued excess interest, as defined. It is the Company's intention to repay the note in full at such time (August 2007) by making a final payment of approximately $220.5 million. LaSalle Note I is secured by Properties owned by Crescent Real Estate Funding I, L.P. ("Funding I") (See "Note 1. Organization and Basis of Presentation" included in "Item 8. Financial Statements and Supplementary Data"). The note agreement restricts Funding I from engaging in certain activities, including incurring liens on the Properties securing the note, pledging the Properties securing the note, incurring certain other indebtedness, canceling a material claim or debt owed to it, entering into certain transactions, distributing funds derived from operation of the Properties securing the note (except as specifically permitted in the note agreement), or creating easements with respect to the Properties securing the note.

(4) The note has a seven-year period during which only interest is payable (through March 2003), followed by principal amortization based on a 25-year amortization schedule through maturity. In March 2006, the interest rate will increase, and the Company is required to remit, in addition to the monthly debt service payment, excess property cash flow, as defined, to be applied first against principal until the note is paid in full and thereafter, against accrued excess interest, as defined. It is the Company's intention to repay the note in full at such time (March 2006) by making a final payment of approximately $154.1 million. LaSalle Note II is secured by Properties owned by Crescent Real Estate Funding II, L.P. ("Funding II") (See "Note 1. Organization and Basis of Presentation" included in "Item 8. Financial Statements and Supplementary Data"). The note agreement restricts Funding II from engaging in certain activities, including incurring liens on the Properties securing the note, pledging the Properties securing the note, incurring certain other indebtedness, canceling a

material claim or debt owed to it, entering into certain affiliate transactions, distributing funds derived

from operation of the Properties securing the note (except as specifically permitted in the note agreement), or creating easements with respect to the Properties securing the note.

(5) The note requires payments of interest only during its term. The CIGNA Note is secured by the MCI Tower and Denver Marriott City Center Resort/Hotel Property. The note agreement has no negative covenants. The deed of trust requires the Company to maintain the Properties that secure the note, and requires approval to grant liens, transfer the Properties, or issue new leases.

(6) The Metropolitan Life Note V requires monthly principal and interest payments based on a 25-year amortization schedule through maturity, at which time the outstanding principal balance is due and payable. The note is secured by the Datran Center Office Property. The note agreement requires the Company to maintain compliance with a number of customary covenants, including maintaining the Property that secures the note and not creating any lien with respect to or otherwise encumbering such Property.

(7) The note requires payments of interest only during its term. The Northwestern Life Note is secured by the 301 Congress Avenue Office Property. The note agreement requires the Company to maintain compliance with a number of customary covenants, including maintaining the Property that secures the note and not creating any lien with respect to or otherwise encumbering such Property.

(8) The note requires payments of interest only during its term. The Mitchell Mortgage Note is secured by three of The Woodlands Office Properties. The note agreement has no negative covenants.

(9) The note was assumed in connection with an acquisition and was not subsequently retired by the Company because of prepayment penalties. Under the terms of the note, principal and interest are payable based on a 25-year amortization schedule. The Company has the option to defease the note by purchasing Treasury obligations in an amount sufficient to pay the note without penalty. The Nomura Funding VI Note is secured by Canyon Ranch-Lenox, the Property owned by Crescent Real Estate Funding VI, L.P. ("Funding VI") (see "Note 1. Organization and Basis of Presentation" included in "Item 8. Financial Statements and Supplementary Data"). In July 2010, the interest rate due under the note will change to a 10-year Treasury yield plus 500 basis points or, if the Company so elects, it may repay the note without penalty at that date. The note agreement requires Funding VI to maintain compliance with a number of customary covenants, including a debt service coverage ratio for the Property that secures the note, a restriction on the ability to transfer or encumber the Property that secures the note, and covenants related to maintaining its single purpose nature, including restrictions on ownership by Funding VI of assets other than the Property that secures the note, restrictions on the ability to incur indebtedness and make loans, and restrictions on operations.

(10) The outstanding principal balance on this note at maturity will be approximately $8.5 million. This note is secured by the Avallon IV Office Property. The note agreement requires that the Company maintains

compliance with a number of customary covenants, including, maintaining the Property that secures the note and not creating any lien with respect to or otherwise encumbering such Property.

(11) The note requires quarterly payments of principal and interest based on a 15-year amortization schedule through maturity, at which time the outstanding principal balance is due and payable. The Rigney Promissory Note is secured by a parcel of land owned by the Company and located across from an Office Property. The note agreement has no negative covenants.

(12) The notes are unsecured and require payments of interest only during their terms. The indenture requires the Company to maintain compliance with a number of customary financial and other covenants on an ongoing basis, including leverage ratios and debt service coverage ratios, limitations on the incurrence of additional indebtedness and maintaining the Company's Properties. The notes were issued in an offering registered with the SEC.

(13) For the method of calculation of the interest rate for the Company's variable-rate debt, see "Note 6. Notes Payable and Borrowings under the Fleet Facility" included in "Item 8. Financial Statements and Supplementary Data."

(14) For a description of the Fleet Fund I and II Term Loan and the Fleet Facility, see "Note 6. Notes Payable and Borrowings under the Fleet Facility" included in "Item 8. Financial Statements and Supplementary Data." The note requires payments of interest only during the first four years with a one-year extension option. The note, due May 2004, bears interest at LIBOR plus 325 basis points (at December 31, 2001, the interest rate was 5.39%). The Fleet Term Loan note is secured by eight Office Properties in Funding I, and 12 Office Properties in Funding II. The Term Loan requires the Company maintain compliance with a number of customary financial and other covenants on an ongoing basis, including leverage ratios based on book value and debt service coverage ratios, limitations on additional secured and total indebtedness, limitations on distributions, and a minimum net worth requirement, and with respect solely to Funding I and Funding II adjusted net operating income to actual debt service and adjusted net operating income to pro forma debt service.

(15) This note requires payment of interest only during its term. The notes, due May 2004, bear interest at the 30-day LIBOR rate plus a spread of 164.7 basis points (at December 31, 2001, the interest rate was 5.15%) for the Deutsche Bank-CMBS and a spread of 600 basis points (at December 31, 2001, the interest rate was 9.50%) for the Mezzanine note. The blended rate at December 31, 2001, was 5.84%. The notes have three-year interest only terms and two one-year extension options, and are secured by the Crescent Real Estate Funding X, L.P. ("Funding X") Office Properties and Spectrum Center, L. P. (See "Note 1. Organization and Basis of Presentation" included in "Item 8. Financial Statements and Supplementary Data"). The notes require the Company to maintain compliance with a minimum debt service coverage ratio.

(16) The JP Morgan Loan Sales Facility is a $50.0 million unsecured credit facility. The lender is not obligated to fund draws under this loan unless certain conditions not within the control of the Company are satisfied at the time of the draw request. As a result, the Company maintains sufficient availability under the Fleet Facility to repay this loan at any time.

(17) The Fleet Bridge Loan is a $50.0 million unsecured credit facility.

(18) The overall weighted average interest rate does not include the effect of the Company's cash flow hedge agreements. Including the effect of these agreements, the overall weighted average interest rate would have been 7.58%.

Below are the aggregate principal payments required as of December 31, 2001 under indebtedness of the Company by year. Scheduled principal installments and amounts due at maturity are included.

	SECURED	UNSECURED	TOTAL
(in thousands)			
2002	$ 80,157	$ 165,000	$ 245,157
2003	15,060	--	15,060
2004	262,857(1)	283,000(1)	545,857
2005	329,339	--	329,339
2006	347,207	--	347,207
Thereafter	481,474	250,000	731,474
	$1,516,094	$ 698,000	$2,214,094

(1) These amounts do not represent the effect of a one-year extension option of the Fleet Facility and two one-year extension options on the Deutsche Bank - CMBS Loan.

The Company has approximately $245.2 million of secured and unsecured debt due during 2002, consisting primarily of the Cigna Note, the Mitchell Mortgage Note and the 2002 Notes which are expected to be funded through replacement debt financing.

The Company's policy with regard to the incurrence and maintenance of debt is based on a review and analysis of:

- investment opportunities for which capital is required and the cost of debt in relation to such investment opportunities;
- the type of debt available (secured or unsecured);
- the effect of additional debt on existing coverage ratios;
- the maturity of the proposed debt in relation to maturities of existing debt; and
- exposure to variable-rate debt and alternatives such as interest-rate swaps and cash flow hedges to reduce this exposure.

Debt service coverage ratios for a particular period are generally calculated as net income plus depreciation and amortization, plus interest expense, plus extraordinary or non-recurring losses, minus extraordinary or

non-recurring gains, divided by debt service (including principal and interest payable during the period of calculation). The calculation of the debt service coverage ratio for the Fleet Facility is calculated using the method described above, including certain pro forma adjustments.

Any uncured or unwaived events of default on the Company's loans can trigger an acceleration of payment on the loan in default. In addition, a default by the Company or any of its subsidiaries with respect to any indebtedness in excess of $5.0 million generally will result in a default under the Fleet Facility and the Fleet I and II Term Loan after the notice and cure periods for the other indebtedness have passed. As of December 31, 2001, the Company was in compliance with all of its debt service coverage ratios and other covenants related to its outstanding debt. The Company's debt facilities generally prohibit loan pre-payment for an initial period, allow pre-payment with a penalty during a following specified period and allow pre-payment without penalty after the expiration of that period. During the year ended December 31, 2001, there were no circumstances that would require pre-payment penalties or increased collateral related to the Company's existing debt.

DEBT REFINANCING AND FLEET FACILITY

In May 2001, the Company (i) repaid and retired the UBS Facility which consisted of the UBS Line of Credit, the UBS Term Loan I and the UBS Term Loan II; (ii) repaid and retired the iStar Financial Note; and (iii) modified and replaced the Fleet Term Note II with proceeds from a $970.0 million debt refinancing. In May 2001, the Company wrote off $10.8 million of deferred financing costs related to the early extinguishment of the UBS Facility which is included in Extraordinary Item - Extinguishment of Debt.

New Debt Resulting from Refinancing

DESCRIPTION	MAXIMUM BORROWING	INTEREST RATE	MATURITY DATE
(dollars in millions)			
Fleet Facility	$400.0(1)	LIBOR + 187.5 basis points	2004(2)
Fleet Fund I and II Term Loan	$275.0	LIBOR + 325 basis points	2005
Deutsche Bank - CMBS Loan	$220.0	LIBOR + 234 basis points	2004(3)
Deutsche Bank Short-Term Loan	$ 75.0	LIBOR + 300 basis points	2001(4)

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(1) The $400.0 million Fleet Facility is an unsecured revolving line of credit. The weighted average interest rate from the origination of the loan in May 2001 through December 31, 2001 is 5.38%.

(2) One-year extension option.

(3) Two one-year extension options.

(4) Repaid September 19, 2001.

Debt Repaid or Modified by Refinancing

DESCRIPTION	MAXIMUM BORROWING	INTEREST RATE	MATURITY DATE	BALANCE REPAID/MODIF
(dollars in millions)				
UBS Line of Credit	$300.0	LIBOR + 250 basis points	2003	$ 165.
UBS Term Loan I	$146.8	LIBOR + 250 basis points	2003	$ 146.
UBS Term Loan II	$326.7	LIBOR + 275 basis points	2004	$ 326.
Fleet Term Note II	$200.0	LIBOR + 400 basis points	2003	$ 200.
iStar Financial Note	$ 97.1	LIBOR + 175 basis points	2001	$ 97.

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(1) All the amounts listed, other than the Fleet Term Note II, were repaid. In May 2001, the Fleet Term Note II was modified and replaced by the Fleet Fund I and II Term Loan.

CASH FLOW HEDGES

The Company uses derivative financial instruments to convert a portion of its variable-rate debt to fixed-rate debt and to manage its fixed to variable-rate debt ratio. As of December 31, 2001, the Company had entered into three cash flow hedge agreements which are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133".

The following table shows information regarding the Company's cash flow hedge agreements as of December 31, 2001 and interest expense for the year ended December 31, 2001 (dollars in millions):

ISSUE DATE	NOTIONAL AMOUNT	MATURITY DATE	REFERENCE RATE	FAIR MARKET VALUE	ADDITIONAL INTEREST EXPEN FOR THE YEAR ENDED DECEMBER 3
9/1/1999	$ 200.0	9/2/2003	6.183%	$ (10.8)	$ 3.5
2/4/2000	$ 200.0	2/3/2003	7.11%	$ (10.8)	$ 6.0
4/18/2000	$ 100.0	4/18/2004	6.76%	$ (7.2)	$ 2.7

The Company has designated its three cash flow hedge agreements as cash flow hedges of LIBOR-based monthly interest payments on a designated pool of variable-rate LIBOR indexed debt that reprices closest to the reset dates of each cash flow hedge agreement. For retrospective effectiveness testing, the Company uses the cumulative dollar offset approach as described in Derivatives Implementation Group ("DIG") Issue E8. The DIG is a task force designed to assist the FASB in answering questions that companies have resulting from implementation of SFAS No. 133 and 138. The Company uses the change in variable cash flows method as described in DIG Issue G7 for prospective testing as well as for the actual recording

of ineffectiveness, if any. Under this method, the Company will compare the changes in the floating rate portion of each cash flow hedge to the floating rate of the hedged items. The cash flow hedges have been and are expected to remain highly effective. Changes in the fair value of these highly effective hedging instruments are recorded in accumulated other comprehensive income. The effective portion that has been deferred in accumulated other comprehensive income will be reclassified to earnings as interest expense when the hedged items impact earnings. If a cash flow hedge falls outside 80%-125% effectiveness for a quarter, all changes in the fair value of the cash flow hedge for the quarter will be recognized in earnings during the current period. If it is determined based on prospective testing that it is no longer likely a hedge will be highly effective on a prospective basis, the hedge will no longer be designated as a cash flow hedge and no longer qualify for accounting in accordance with SFAS Nos. 133 and 138.

Over the next twelve months, an estimated $16.4 million to $18.4 million will be reclassified from accumulated other comprehensive income to interest expense and charged against earnings related to the effective portions of the cash flow hedge agreements.

INTEREST RATE CAPS

In connection with the closing of the Deutsche Bank-CMBS Loan in May 2001, the Company entered into a LIBOR interest rate cap struck at 7.16% for a notional amount of $220.0 million, and simultaneously sold a LIBOR interest rate cap with the same terms. Since these instruments do not reduce the Company's net interest rate risk exposure, they do not qualify as hedges and changes to their respective fair values are charged to earnings. As the significant terms of these arrangements are substantially the same, the effects of a revaluation of these instruments are expected to substantially offset each other.

FUNDS FROM OPERATIONS

FFO, based on the revised definition adopted by the Board of Governors of the NAREIT, effective January 1, 2000, and as used in this document, means:

- Net Income (Loss) - determined in conformity with GAAP;
  - excluding gains (or losses) from sales of depreciable operating property;
  - excluding extraordinary items (as defined by GAAP);
  - plus depreciation and amortization of real estate assets; and
  - after adjustments for unconsolidated partnerships and joint ventures.

NAREIT developed FFO as a relative measure of performance and liquidity of an equity REIT to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. The Company considers FFO an appropriate measure of performance for an equity REIT, and for its investment segments. However, FFO:

- does not represent cash generated from operating activities determined in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events that enter into the determination of net income);
- is not necessarily indicative of cash flow available to fund cash needs; and

- should not be considered as an alternative to net income determined in accordance with GAAP as an indication of the Company's operating performance, or to cash flow from operating activities determined in accordance with GAAP as a measure of either liquidity or the Company's ability to make distributions.

The Company has historically distributed an amount less than FFO, primarily due to reserves required for capital expenditures, including leasing costs. The aggregate cash distributions paid to shareholders and unitholders for the year ended December 31, 2001, and 2000, were $245.1 and $281.2 million, respectively. The Company reported FFO of $177.1 million and $326.9 million for the years ended December 31, 2001 and 2000, respectively. Excluding the impairment and other charges related to COPI of $92.8 million, the Company would have reported FFO of $269.9 million for the year ended December 31, 2001.

An increase or decrease in FFO does not necessarily result in an increase or decrease in aggregate distributions because the Company's Board of Trust Managers is not required to increase distributions on a quarterly basis unless necessary for the Company to maintain REIT status. However, the Company must distribute 90% of its REIT taxable income

(as defined in the Code). Therefore, a significant increase in FFO will generally require an increase in distributions to shareholders and unitholders although not necessarily on a proportionate basis.

Accordingly, the Company believes that to facilitate a clear understanding of the consolidated historical operating results of the Company, FFO should be considered in conjunction with the Company's net income (loss) and cash flows reported in the consolidated financial statements and notes to the financial statements. However, the Company's measure of FFO may not be comparable to similarly titled measures of other REITs because these REITs may apply the definition of FFO in a different manner than the Company.

STATEMENTS OF FUNDS FROM OPERATIONS
(DOLLARS AND SHARES/UNITS IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,	
	2001	2000
Net (loss) income	$ (4,659)	$ 248,122
Adjustments to reconcile net (loss) income to funds from operations:		
Depreciation and amortization of real estate assets	122,033	119,999
Gain on rental property sales, net	(2,835)	(136,880)
Impairment and other charges related to real estate assets	21,705	17,874
Extraordinary item - extinguishment of debt	10,802	3,928
Adjustment for investments in real estate mortgages and equity of unconsolidated companies:		
Office Properties	6,955	4,973
Residential Development Properties	13,037	25,130
Temperature-Controlled Logistics Properties	22,671	26,131

Other	144	--
Unitholder minority interest	765	31,120
6 3/4% Series A Preferred Share distributions	(13,501)	(13,500)
Funds from operations(1)	$ 177,117	$ 326,897
Investment Segments:		
Office Segment	$ 358,349	$ 361,574
Resort/Hotel Segment	45,282	71,446
Residential Development Segment	54,051	78,600
Temperature-Controlled Logistics Segment	23,806	33,563
Corporate and other adjustments:		
Interest expense	(182,410)	(203,197)
6 3/4% Series A Preferred Share distributions	(13,501)	(13,500)
Other(2)(3)	8,571	22,484
Corporate general & administrative	(24,249)	(24,073)
Impairment and other charges related to COPI	(92,782)	--
Funds from operations(1)	$ 177,117	$ 326,897
Basic weighted average shares	107,613	113,524
Diluted weighted average shares/units(4)	122,544	128,732

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(1) To calculate basic funds from operations, deduct Unitholder minority interest.

(2) Includes interest and other income, preferred return paid to GMACCM, other unconsolidated companies, less depreciation and amortization of non-real estate assets and amortization of deferred financing costs.

(3) For purposes of this schedule, the behavioral healthcare properties' financial information has been included in this line item.

(4) See calculations for the amounts presented in the reconciliation at the end of this section.

The following schedule reconciles the Company's basic weighted average shares to the diluted weighted average shares/units presented above:

	FOR THE YEAR ENDED DECEMBER 31,	
(SHARES/UNITS IN THOUSANDS)	2001	2000
Basic weighted average shares:	107,613	113,524
Add: Weighted average units	13,404	14,011
Share and unit options	1,527	1,197
Diluted weighted average shares/units	122,544	128,732

RECONCILIATION OF FUNDS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES
(DOLLARS IN THOUSANDS)

	FOR THE YEAR ENDED DECEMB	
	2001	20
Funds from operations	$ 177,117	$ 326
Adjustments:		
Depreciation and amortization of non-real estate assets	2,934	2
Impairment and other charges related to real estate assets	96,412	
Amortization of deferred financing costs	9,327	9
Gain on undeveloped land	(1,590)	
Increase in receivables from COPI	(20,458)	
Minority interest in joint ventures profit and depreciation and amortization	21,854	21
Adjustment for investments in real estate mortgages and equity of unconsolidated companies	(42,807)	(56
Change in deferred rent receivable	3,744	(8
Change in current assets and liabilities	(60,768)	(25
Distributions received in excess of earnings from unconsolidated companies	13,874	3
Equity in earnings in excess of distributions received from unconsolidated companies	(476)	(10
6 3/4% Series A Preferred Share distributions	13,501	13
Non cash compensation	149	
Net cash provided by operating activities	$ 212,813	$ 275

HISTORICAL RECURRING OFFICE PROPERTY CAPITAL EXPENDITURES, TENANT IMPROVEMENT AND LEASING COSTS

The following table sets forth annual and per square foot recurring capital expenditures (excluding those expenditures which are recoverable from tenants) and tenant improvement and leasing costs for the years ended December 31, 2001, 2000 and 1999, attributable to signed leases, all of which have commenced or will commence during the next 12 months (i.e., the renewal or replacement tenant began or will begin to pay rent) for the Office Properties consolidated in the Company's financial statements during each of the periods presented. Tenant improvement and leasing costs for signed leases during a particular period do not necessarily equal the cash paid for tenant improvement and leasing costs during such period due to timing of payments.

2001	2000	1999

CAPITAL EXPENDITURES:			
Capital Expenditures (in thousands)	$ 15,672	$ 9,199	$ 6,048
Per square foot	$ 0.58	$ 0.33	$ 0.19
TENANT IMPROVEMENT AND LEASING COSTS:(1)			
Replacement Tenant Square Feet	1,099,868	1,126,394	1,259,660
Renewal Tenant Square Feet	790,203	1,490,930	1,385,911
Tenant Improvement Costs (in thousands)	$ 12,154	$ 16,541	$ 14,339
Per square foot leased	$ 6.43	$ 6.32	$ 5.42
Tenant Leasing Costs (in thousands)	$ 7,238	$ 11,621	$ 7,804
Per square foot leased	$ 3.83	$ 4.44	$ 2.95
Total (in thousands)	$ 19,392	$ 28,162	$ 22,143
Total per square foot	$ 10.26	$ 10.76	$ 8.37
Average lease term	5.2 years	5.1 years	4.5 years
Total per square foot per year	$ 1.97	$ 2.10	$ 1.87

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(1) Excludes leasing activity for leases that have less than a one-year term (i.e., storage and temporary space).

Capital expenditures may fluctuate in any given period subject to the nature, extent and timing of improvements required to be made in the Company's Office Property portfolio. The Company maintains an active preventive maintenance program in order to minimize required capital improvements. In addition, certain capital improvement costs are recoverable from customers.

Tenant improvement and leasing costs also may fluctuate in any given year depending upon factors such as the property, the term of the lease, the type of lease (renewal or replacement tenant), the involvement of external leasing agents and overall competitive market conditions. Management believes that future recurring tenant improvements and leasing costs for the Company's existing Office Properties will approximate on average for "renewal tenants", $6.00 to $10.00 per square foot, or $1.20 to $2.00 per square foot per year based on an average five-year lease term, and, on average for "replacement tenants," $12.00 to $16.00 per square foot, or $2.40 to $3.20 per square foot per year based on an average five-year lease term.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Reports of Independent Auditors.....

Consolidated Balance Sheets at December 31, 2001 and 2000.....

Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999.....

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999.....

Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999.....

Notes to Consolidated Financial Statements.....

Schedule III Consolidated Real Estate Investments and Accumulated Depreciation .....

REPORT OF INDEPENDENT AUDITORS

Board of Trust Managers and Shareholders
Crescent Real Estate Equities Company and subsidiaries

We have audited the accompanying consolidated balance sheets of Crescent Real Estate Equities Company and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We did not audit the financial statements of AmeriCold Corporation, which statements reflect total assets constituting 7.44% and 6.78%, respectively, of consolidated assets as of December 31, 2001 and 2000. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for AmeriCold Corporation, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Crescent Real Estate Equities Company and subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ ERNST & YOUNG LLP

Dallas, Texas,
September 1, 2002

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INDEPENDENT AUDITORS' REPORT

To AmeriCold Corporation:

We have audited the accompanying consolidated balance sheets of AmeriCold Corporation (the "Company") as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2001 and 2000, and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
February 19, 2002

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CRESCENT REAL ESTATE EQUITIES COMPANY
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	DECEMBER
	2001
ASSETS:	
Investments in real estate:	
Land	$ 249,266
Land held for investment or development	92,951

Building and improvements	2,938,669
Furniture, fixtures and equipment	72,247
Properties held for disposition, net	64,694
Less - accumulated depreciation	(637,904)
Net investment in real estate	$ 2,779,923
Cash and cash equivalents	$ 36,285
Restricted cash and cash equivalents	115,531
Accounts receivable, net	28,654
Deferred rent receivable	66,362
Investments in real estate mortgages and equity of unconsolidated companies	838,317
Notes receivable, net	132,065
Other assets, net	145,012
Total assets	$ 4,142,149
LIABILITIES:	
Borrowings under credit facility	$ 283,000
Notes payable	1,931,094
Accounts payable, accrued expenses and other liabilities	220,068
Total liabilities	$ 2,434,162
COMMITMENTS AND CONTINGENCIES:	
MINORITY INTERESTS:	
Operating partnership, 6,594,521 and 6,995,823 units, respectively	$ 69,910
Investment in joint ventures	232,137
Total minority interests	$ 302,047
SHAREHOLDERS' EQUITY:	
Preferred shares, $.01 par value, authorized 100,000,000 shares:	
6 3/4% Series A Convertible Cumulative Preferred Shares, liquidation preference $25.00 per share, 8,000,000 shares issued and outstanding at December 31, 2001 and 2000	$ 200,000
Common shares, $.01 par value, authorized 250,000,000 shares, 123,396,017, and 121,818,653 shares issued and outstanding at December 31, 2001 and 2000, respectively	1,227
Additional paid-in capital	2,234,360
Retained deficit	(638,435)
Accumulated other comprehensive income	(31,484)
	$ 1,765,668
Less - shares held in treasury, at cost, 18,770,418 and 14,468,623 common shares at December 31, 2001 and 2000, respectively	(359,728)
Total shareholders' equity	$ 1,405,940
Total liabilities and shareholders' equity	$ 4,142,149

The accompanying notes are an integral part of these financial statements.

CRESCENT REAL ESTATE EQUITIES COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE
	2001
REVENUES:	
Office properties	$ 606,053
Resort/Hotel properties	45,748
Interest and other income	40,190
Total revenues	$ 691,991
EXPENSES:	
Real estate taxes	$ 83,756
Repairs and maintenance	39,247
Other rental property operating	138,130
Corporate general and administrative	24,249
Interest expense	182,410
Amortization of deferred financing costs	9,327
Depreciation and amortization	124,870
Settlement of merger dispute	--
Impairment and other charges related to the real estate assets	25,332
Impairment and other charges related to COPI	92,782
Total expenses	$ 720,103
Operating (loss) income	$ (28,112)
OTHER INCOME AND EXPENSE:	
Equity in net income of unconsolidated companies:	
Office properties	6,124
Residential development properties	41,014
Temperature-controlled logistics properties	1,136
Other	2,957
Total equity in net income of unconsolidated companies	$ 51,231
Gain on property sales, net	4,425
Total other income and expense	$ 55,656
INCOME BEFORE MINORITY INTERESTS, EXTRAORDINARY ITEM AND DISCONTINUED OPERATIONS	$ 27,544
Minority interests	(21,429)

INCOME BEFORE EXTRAORDINARY ITEM AND DISCONTINUED OPERATIONS	$ 6,115
Extraordinary item - extinguishment of debt	(10,802)
Discontinued operations- income on assets sold and held for sale	28
NET (LOSS) INCOME	$ (4,659)
6 3/4% Series A Preferred Share distributions	(13,501)
Share repurchase agreement return	--
Forward share purchase agreement return	--
NET (LOSS) INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ (18,160)
BASIC EARNINGS PER SHARE DATA:	
Net (loss) income before extraordinary item and discontinued operations	$ (0.07)
Extraordinary item - extinguishment of debt	(0.10)
Discontinued operations - income on assets sold and held for sale	--
Net (loss) income - basic	$ (0.17)
DILUTED EARNINGS PER SHARE DATA:	
Net (loss) income before extraordinary item and discontinued operations	$ (0.07)
Extraordinary item - extinguishment of debt	(0.10)
Discontinued operations - income on assets sold and held for sale	--
Net (loss) income - diluted	$ (0.17)

The accompanying notes are an integral part of these financial statements.

CRESCENT REAL ESTATE EQUITIES COMPANY
CONSOLIDATED STATEMENTS
OF SHAREHOLDERS' EQUITY
(dollars in thousands)

	Preferred Shares		
	Shares	Net Value	Sha
SHAREHOLDERS' EQUITY, December 31,1998	8,000,000	$ 200,000	
Issuance of Common Shares	--	--	

Exercise of Common Share Options	--	--	
Cancellation of Restricted Shares	--	--	
Amortization of Deferred Compensation	--	--	
Issuance of Common Shares in Exchange for Operating Partnership Units	--	--	
Preferred Share Conversion Adjustment	--	--	
Forward Share Purchase Agreement	--	--	
Settlement of Forward Share Purchase Agreement	--	--	
Dividends Paid	--	--	
Net Loss	--	--	
Unrealized Net Gain on Available-For-Sale Securities	--	--	
Unrealized Net Gain on Cash Flow Hedges	--	--	
SHAREHOLDERS' EQUITY, December 31, 1999	8,000,000	$ 200,000	
Issuance of Common Shares	--	--	
Exercise of Common Share Options	--	--	
Preferred Equity Issuance Cost	--	--	
Issuance of Shares in Exchange for Operating Partnership Units	--	--	
Share Repurchases	--	--	8,7
Share Repurchase Agreement	--	--	5,7
Retirement of Treasury Shares	--	--	(
Retirement of Restricted Shares	--	--	
Dividends Paid	--	--	
Net Income	--	--	
Unrealized Net Loss on Available-for-Sale Securities	--	--	
Unrealized Net Loss on Cash Flow Hedges	--	--	
SHAREHOLDERS' EQUITY, December 31, 2000	8,000,000	$ 200,000	14,4
Issuance of Common Shares	--	--	
Exercise of Common Share Options	--	--	
Issuance of Shares in Exchange for Operating Partnership Units	--	--	

Share Repurchases	--	--	4,3
Dividends Paid	--	--	
Net Loss	--	--	
Sale of/Unrealized Gain on Marketable Securities	--	--	
Unrealized Net Loss on Cash Flow Hedges	--	--	
SHAREHOLDERS' EQUITY, December 31, 2001	8,000,000	$ 200,000	18,7

	Common Shares		Add Pa Ca
	Shares	Par Value	
SHAREHOLDERS' EQUITY, December 31,1998	124,555,447	$ 1,245	$ 2
Issuance of Common Shares	168,140	1	
Exercise of Common Share Options	2,899,960	24	
Cancellation of Restricted Shares	(216)	--	
Amortization of Deferred Compensation	--	--	
Issuance of Common Shares in Exchange for Operating Partnership Units	453,828	4	
Preferred Share Conversion Adjustment	12,356	--	
Forward Share Purchase Agreement	747,598	7	
Settlement of Forward Share Purchase Agreement	(7,299,760)	(73)	
Dividends Paid	--	--	
Net Loss	--	--	
Unrealized Net Gain on Available-For-Sale Securities	--	--	
Unrealized Net Gain on Cash Flow Hedges	--	--	
SHAREHOLDERS' EQUITY, December 31, 1999	121,537,353	$ 1,208	$ 2
Issuance of Common Shares	5,762	--	
Exercise of Common Share Options	208,700	2	
Preferred Equity Issuance Cost	--	--	
Issuance of Shares in Exchange for Operating Partnership Units	87,124	1	
Share Repurchases	--	--	

Share Repurchase Agreement	--	--	
Retirement of Treasury Shares	(20,286)	--	
Retirement of Restricted Shares	--	--	
Dividends Paid	--	--	
Net Income	--	--	
Unrealized Net Loss on Available-for-Sale Securities	--	--	
Unrealized Net Loss on Cash Flow Hedges	--	--	
SHAREHOLDERS' EQUITY, December 31, 2000	121,818,653	$ 1,211	$ 2
Issuance of Common Shares	6,610	1	
Exercise of Common Share Options	768,150	7	
Issuance of Shares in Exchange for Operating Partnership Units	802,604	8	
Share Repurchases	--	--	
Dividends Paid	--	--	
Net Loss	--	--	
Sale of/Unrealized Gain on Marketable Securities	--	--	
Unrealized Net Loss on Cash Flow Hedges	--	--	
SHAREHOLDERS' EQUITY, December 31, 2001	123,396,017	$ 1,227	$ 2

	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	T
SHAREHOLDERS' EQUITY, December 31,1998	$ (110,196)	$ (5,037)	$ 2
Issuance of Common Shares	--	--	
Exercise of Common Share Options	--	--	
Cancellation of Restricted Shares	--	--	
Amortization of Deferred Compensation	--	--	
Issuance of Common Shares in Exchange for Operating Partnership Units	--	--	
Preferred Share Conversion Adjustment	--	--	
Forward Share Purchase Agreement	--	--	

Settlement of Forward Share Purchase Agreement	(3,981)	--	
Dividends Paid	(269,814)	--	
Net Loss	(2,541)	--	
Unrealized Net Gain on Available-For-Sale Securities	--	17,216	
Unrealized Net Gain on Cash Flow Hedges	--	280	
SHAREHOLDERS' EQUITY, December 31, 1999	$ (386,532)	$ 12,459	$ 2
Issuance of Common Shares	--	--	
Exercise of Common Share Options	--	--	
Preferred Equity Issuance Cost	--	--	
Issuance of Shares in Exchange for Operating Partnership Units	--	--	
Share Repurchases	--	--	
Share Repurchase Agreement	--	--	
Retirement of Treasury Shares	--	--	
Retirement of Restricted Shares	--	--	
Dividends Paid	(250,427)	--	
Net Income	234,622	--	
Unrealized Net Loss on Available-for-Sale Securities	--	(7,584)	
Unrealized Net Loss on Cash Flow Hedges	--	(11,609)	
SHAREHOLDERS' EQUITY, December 31, 2000	$ (402,337)	$ (6,734)	$ 1
Issuance of Common Shares	--	--	
Exercise of Common Share Options	--	--	
Issuance of Shares in Exchange for Operating Partnership Units	--	--	
Share Repurchases	--	--	
Dividends Paid	(217,938)	--	
Net Loss	(18,160)	--	
Sale of/Unrealized Gain on Marketable Securities	--	(7,522)	
Unrealized Net Loss on Cash Flow Hedges	--	(17,228)	
SHAREHOLDERS' EQUITY, December 31, 2001	$ (638,435)	$ (31,484)	$ 1

The accompanying notes are an integral part of these financial statements.

CRESCENT REAL ESTATE EQUITIES COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	FOR THE YEAR ENDE	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (4,659)	$ 248
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	134,197	132
Extraordinary item - extinguishment of debt	10,802	3
Impairment and other charges related to real estate assets	25,332	17
Impairment and other charges related to COPI	92,782	
Increase in COPI hotel accounts receivable	(20,458)	
Gain on property sales, net	(4,425)	(137
Minority interests	21,429	50
Discontinued operations	1,287	1
Non cash compensation	149	
Distributions received in excess of earnings from unconsolidated companies:		
Office properties	--	1
Residential development properties	3,392	
Temperature-controlled logistics	10,392	2
Other	90	
Equity in earnings in excess of distributions received from unconsolidated companies:		
Office properties	(476)	
Residential development properties	--	(6
Other	--	(3
Decrease (increase) in accounts receivable	845	(4
Decrease (increase) in deferred rent receivable	3,744	(8
(Increase) decrease in other assets	(22,301)	(19
Increase in restricted cash and cash equivalents	(18,759)	(12
(Increase) decrease in accounts payable, accrued expenses and other liabilities	(20,550)	11
Net cash provided by operating activities	$ 212,813	$ 275
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of land held for investment or development	--	(22
Proceeds from property sales	200,389	627
Proceeds from joint venture transactions	129,651	
Proceeds from sale of marketable securities	107,940	

Development of investment properties	(23,723)	(41
Capital expenditures - rental properties	(46,427)	(26
Tenant improvement and leasing costs - rental properties	(51,810)	(68
(Increase) decrease in restricted cash and cash equivalents	(2,204)	5
Return of investment in unconsolidated companies:		
Office properties	349	12
Residential development properties	19,251	61
Other	12,359	1
Investment in unconsolidated companies:		
Office properties	(16,360)	
Residential development properties	(89,000)	(91
Temperature-controlled logistics	(10,784)	(17
Other	(8,418)	(3
(Increase) decrease in notes receivable	(11,219)	(9
Net cash provided by (used in) investing activities	$ 209,994	$ 428
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing costs	(16,061)	(18
Settlement of Forward Share Purchase Agreement	--	
Borrowings under Fleet Boston Credit Facility	--	
Payments under Fleet Boston Credit Facility	--	(510
Borrowings under UBS Facility	105,000	1,017
Payments under UBS Facility	(658,452)	(464
Borrowings under Fleet Facility	618,000	
Payments under Fleet Facility	(335,000)	
Notes payable proceeds	393,336	
Notes payable payments	(180,685)	(370
Capital proceeds - joint venture preferred equity partner	--	275
Preferred equity issuance costs	--	(10
Capital distributions - joint venture preferred equity partner	(19,897)	(72
Capital distributions - joint venture partner	(5,557)	(10
Proceeds from exercise of share options	9,839	1
Treasury share repurchases	(77,384)	(281
6 3/4% Series A Preferred Share distributions	(13,501)	(13
Dividends and unitholder distributions	(245,126)	(281
Net cash used in financing activities	$ (425,488)	$ (737
DECREASE IN CASH AND CASH EQUIVALENTS	$ (2,681)	$ (33
CASH AND CASH EQUIVALENTS,		
Beginning of period	38,966	72
End of period	$ 36,285	$ 38

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION:

ORGANIZATION

Crescent Real Estate Equities Company ("Crescent Equities") operates as a real estate investment trust for federal income tax purposes (a "REIT"), and, together with its subsidiaries, provides management, leasing and development services for some of its properties.

The term "Company" includes, unless the context otherwise indicates, Crescent Equities, a Texas REIT, and all of its direct and indirect subsidiaries.

The direct and indirect subsidiaries of Crescent Equities at December 31, 2001, included:

- CRESCENT REAL ESTATE EQUITIES LIMITED PARTNERSHIP
  The "Operating Partnership."
- CRESCENT REAL ESTATE EQUITIES, LTD.
  The "General Partner" of the Operating Partnership.
- SUBSIDIARIES OF THE OPERATING PARTNERSHIP AND THE GENERAL PARTNER

Crescent Equities conducts all of its business through the Operating Partnership and its other subsidiaries. The Company is structured to facilitate and maintain the qualification of Crescent Equities as a REIT.

The following table shows the subsidiaries of the Company that owned or had an interest in Properties (as defined below) as of December 31, 2001:

Operating Partnership:(1)	The Avallon IV, Bank One Center, Bank One Tower, Datran Center (two Office Properties), Four Westlake Park, Houston Center (three Office Properties), The Park Shops at Houston Center, The Woodlands Office Properties (eight Office Properties) and 301 Congress Avenue
Crescent Real Estate Funding I, L.P.: ("Funding I")	The Aberdeen, The Avallon I, II & III, Carter Burgess Plaza, The Citadel, The Crescent Atrium, The Crescent Office Towers, Regency Plaza One, Waterside Commons and 125 E. John Carpenter Freeway
Crescent Real Estate Funding II, L.P.: ("Funding II")	Albuquerque Plaza, Barton Oaks Plaza One, Briargate Office and Research Center, Hyatt Regency Albuquerque, Park Hyatt Beaver Creek Resort and Spa, Las Colinas Plaza, Liberty Plaza I & II, MacArthur Center I & II, Ptarmigan Place, Stanford Corporate Centre, Two Renaissance Square and 12404 Park Central
Crescent Real Estate Funding III, IV and V, L.P.: ("Funding III, IV and V")(2)	Greenway Plaza Office Properties (ten Office Properties) and Renaissance Houston Hotel
Crescent Real Estate Funding VI, L.P.: ("Funding VI")	Canyon Ranch - Lenox
Crescent Real Estate	10 behavioral healthcare properties

Funding VII, L.P.: ("Funding VII")	
Crescent Real Estate Funding VIII, L.P.: ("Funding VIII")	The Addison, Addison Tower, Austin Centre, The Avallon V, Canyon Ranch - Tucson, Cedar Springs Plaza, Frost Bank Plaza, Greenway I & IA (two Office Properties), Greenway II, Omni Austin Hotel, Palisades Central I, Palisades Central II, Sonoma Mission Inn & Spa, Stemmons Place, Three Westlake Park, Trammell Crow Center, 3333 Lee Parkway, Ventana Inn & Spa, 1800 West Loop South and 5050 Quorum

Crescent Real Estate Funding IX, L.P.: ("Funding IX") (3)	Chancellor Park, Denver Marriott City Center, MCI Tower, Miami Center, Reverchon Plaza, 44 Cook Street, 55 Madison and 6225 N. 24th Street
Crescent Real Estate Funding X, L.P. ("Funding X")	Fountain Place and Post Oak Central (three Office Properties)
Crescent Spectrum Center, L.P. (4):	Spectrum Center

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(1) The Operating Partnership has a 50% interest in Bank One Center, a 20% interest in Bank One Tower and a 20% interest in Four Westlake Park. See "Note 4. Investments in Real Estate Mortgages and Equity of Unconsolidated Companies" for a description of the ownership structure of these Properties.

(2) Funding III owns nine of the 10 Office Properties in the Greenway Plaza Office portfolio and the Renaissance Houston Hotel; Funding IV owns the central heated and chilled water plant building located at Greenway Plaza; and Funding V owns Coastal Tower, the remaining Office Property in the Greenway Plaza Office portfolio.

(3) Funding IX holds its interests in Chancellor Park and Miami Center through its 100% membership interests in the owners of the Properties, Crescent Chancellor Park, LLC and Crescent Miami Center, LLC.

(4) Crescent Spectrum Center, L.P. holds its interest in Spectrum Center through its ownership of the underlying land and notes and a mortgage on the Property.

As of December 31, 2001, Crescent SH IX, Inc. ("SH IX"), a subsidiary of the Company, owned 14,468,603 common shares of beneficial interest in Crescent Equities.

See "Note 6. Notes Payable and Borrowings under Fleet Facility" for a list of certain other subsidiaries of the Company, all of which are consolidated in the Company's financial statements and were formed primarily for the purpose of obtaining secured debt or joint venture financing.

See "Note 4. Investments in Real Estate Mortgages and Equity of Unconsolidated Companies" for a table that lists the Company's ownership in significant unconsolidated subsidiaries and equity investments as of December

31, 2001, including the four Office Properties in which the Company owned an interest through these unconsolidated subsidiaries and equity investments and the Company's ownership interests in the Residential Development Segment and the Temperature-Controlled Logistics Segment.

SEGMENTS

As of December 31, 2001, the Company's assets and operations were composed of four major investment segments:

- Office Segment;
- Resort/Hotel Segment;
- Residential Development Segment; and
- Temperature-Controlled Logistics Segment.

Within these segments, the Company owned or had an interest in the following real estate assets (the "Properties") as of December 31, 2001:

- OFFICE SEGMENT consisted of 74 office properties (collectively referred to as the "Office Properties") located in 26 metropolitan submarkets in six states, with an aggregate of approximately 28.0 million net rentable square feet.
- RESORT/HOTEL SEGMENT consisted of five luxury and destination fitness resorts and spas with a total of 1,028 rooms/guest nights and four upscale business-class hotel properties with a total of 1,769 rooms (collectively referred to as the "Resort/Hotel Properties").

- RESIDENTIAL DEVELOPMENT SEGMENT consisted of the Company's ownership of real estate mortgages and non-voting common stock representing interests ranging from 90% to 95% in five unconsolidated residential development corporations (collectively referred to as the "Residential Development Corporations"), which in turn, through joint venture or partnership arrangements, owned 21 upscale residential development properties (collectively referred to as the "Residential Development Properties").
- TEMPERATURE-CONTROLLED LOGISTICS SEGMENT consisted of the Company's 40% interest in a general partnership (the "Temperature-Controlled Logistics Partnership"), which owns all of the common stock, representing substantially all of the economic interest, of AmeriCold Corporation (the "Temperature-Controlled Logistics Corporation"), a REIT, which, as of December 31, 2001, directly or indirectly owned 89 temperature-controlled logistics properties (collectively referred to as the "Temperature-Controlled Logistics Properties") with an aggregate of approximately 445.2 million cubic feet (17.7 million square feet) of warehouse space.

On February 14, 2002, the Company executed an agreement with Crescent Operating, Inc. ("COPI"), pursuant to which COPI transferred to subsidiaries of the Company, in lieu of foreclosure, COPI's lessee interests in the eight

Resort/Hotel Properties leased to subsidiaries of COPI and, pursuant to a strict foreclosure, COPI's voting common stock in three of the Company's Residential Development Corporations. See "Note 22. Subsequent Events" for additional information regarding the Company's agreement with COPI.

For purposes of investor communications, the Company classifies its luxury and destination fitness resorts and spas and upscale Residential Development Properties as a single group referred to as the "Resort and Residential Development Sector" due to their similar targeted customer characteristics. This group does not contain the four upscale business-class hotel properties. Additionally, for investor communications, the Company classifies its Temperature-Controlled Logistics Properties and its upscale business-class hotel properties as the "Investment Sector." However, for purposes of segment reporting as defined in Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosures About Segments of an Enterprise and Related Information" and this Annual Report on Form 10-K, the Resort/Hotel Properties, including the upscale business-class hotel properties, the Residential Development Properties and the Temperature-Controlled Logistics Properties are considered three separate reportable segments.

See "Note 3. Segment Reporting" for a table showing total revenues, funds from operations, and equity in net income of unconsolidated companies for each of these investment segments for the years ended December 31, 2001, 2000 and 1999 and identifiable assets for each of these investment segments at December 31, 2001 and 2000.

BASIS OF PRESENTATION

The accompanying consolidated financial statements of the Company include all direct and indirect subsidiary entities. The equity interests in those direct and indirect subsidiaries the Company does not own are reflected as minority interests. All significant intercompany balances and transactions have been eliminated.

Certain amounts in prior year financial statements have been reclassified and restated to conform with current year presentation. See "Note 2. Summary of Significant Accounting Policies - New Accounting Pronouncements" for a description of the reclassified items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NET INVESTMENTS IN REAL ESTATE

Real estate is carried at cost, net of accumulated depreciation. Betterments, major renovations, and certain costs directly related to the acquisition, improvements and leasing of real estate are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and Improvements	5 to 40 years

Tenant Improvements	Terms of leases
Furniture, Fixtures and Equipment	3 to 5 years

An impairment loss is recognized on a property by property basis on Properties classified as held for use, when expected undiscounted cash flows are

less than the carrying value of the Property. In cases where the Company does not expect to recover its carrying costs on a Property, the Company reduces its carrying costs to fair value, and for Properties held for disposition, the Company reduces its carrying costs to the fair value less costs to sell. See "Note 17. Dispositions" for a description of impairment losses recognized during 2001, 2000 and 1999.

Depreciation expense is not recognized on Properties classified as held for disposition.

CONCENTRATION OF REAL ESTATE INVESTMENTS

The Company's Office Properties are located primarily in the Dallas/Fort Worth and Houston, Texas metropolitan areas. As of December 31, 2001, the Company's Office Properties in Dallas/Fort Worth and Houston represented an aggregate of approximately 77% of its office portfolio based on total net rentable square feet. The Dallas/Fort Worth Office Properties accounted for approximately 41% of that amount and the Houston Office Properties accounted for the remaining 36%. As a result of the geographic concentration, the operations of the Company could be adversely affected by a recession or general economic downturn in the areas where these Properties are located.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents.

RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash includes escrows established pursuant to certain mortgage financing arrangements for real estate taxes, insurance, security deposits, ground lease expenditures, capital expenditures and monthly interest carrying costs paid in arrears and capital requirements related to cash flow hedges.

OTHER ASSETS

Other assets consist principally of leasing costs, deferred financing costs and marketable securities. Leasing costs are amortized on a straight-line basis during the terms of the respective leases, and unamortized leasing costs are written off upon early termination of lease agreements. Deferred financing costs are amortized on a straight-line basis (when it approximates the effective interest method) over the terms of the respective loans. The effective interest method is used to amortize deferred financing costs on loans where the straight-line basis does not approximate the effective interest method, over the terms of the respective loans. Marketable securities are considered available-for-sale and are marked to market value on a monthly basis. The corresponding unrealized gains and losses are included in accumulated other comprehensive income. When a decline in the fair value of marketable securities is determined to be other than temporary, the cost basis is written down to fair value and the amount of the write-down is included in earnings for the applicable period. A decline in the fair value of a marketable security is deemed nontemporary if its cost basis has exceeded its fair value for a period of six to nine months.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to convert a portion of its variable-rate debt to fixed-rate debt and to manage its fixed to variable-rate debt ratio. As of December 31, 2001, the Company has entered into three cash flow hedge agreements which are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

Under SFAS No. 133, the Company's cash flow hedges are used to mitigate the variability of cash flows. On a monthly basis, the cash flow hedge is marked to fair value through comprehensive income and the cash flow hedge's gain or loss is reported in earnings when the interest on the underlying debt affects earnings. Any ineffective portion of the hedges is reported in earnings immediately.

In connection with the debt refinancing in May 2001, the Company entered into a LIBOR interest rate cap, and simultaneously sold a LIBOR interest rate cap with the same terms. These instruments do not qualify as hedges and changes to their respective fair values are charged to earnings monthly.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents and short-term investments are reasonable estimates of their fair values because of the short maturities of these instruments. The fair value of notes receivable, which approximates carrying value, is estimated based on year-end interest rates for receivables of comparable maturity. Notes payable and borrowings under the Company's prior line of credit with UBS (the "UBS Facility") and the Company's line of credit (the "Fleet Facility") have aggregate carrying values which approximate their estimated fair values based upon the current interest rates for debt with similar terms and remaining maturities, without considering the adequacy of the underlying collateral. Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2001 and 2000.

REVENUE RECOGNITION

OFFICE PROPERTIES The Company, as a lessor, has retained substantially all of the risks and benefits of ownership of the Office Properties and accounts for its leases as operating leases. Income on leases, which includes scheduled increases in rental rates during the lease term and/or abated rent payments for various periods following the tenant's lease commencement date, is recognized on a straight-line basis. Deferred rent receivable represents the excess of rental revenue recognized on a straight-line basis over cash received pursuant to the applicable lease provisions.

RESORT/HOTEL PROPERTIES Prior to the enactment of the REIT Modernization Act, the Company's status as a REIT for federal income tax purposes prohibited it from operating the Resort/Hotel Properties. As of December 31, 2001, the Company had leased all of the Resort/Hotel Properties, except the Omni Austin Hotel, to subsidiaries of Crescent Operating, Inc. ("COPI") pursuant to eight separate leases. The Omni Austin Hotel had been leased under a separate lease to HCD Austin Corporation. During 2001 and 2000, the leases provided for the payment by the lessee of the Resort/Hotel Property of (i) base rent, with periodic rent increases if applicable, (ii) percentage rent based on a percentage of gross receipts or gross room revenues, as applicable, above a specified amount, and (iii) a percentage of gross food and beverage revenues above a specified amount for certain Resort/Hotel Properties. Base rental income under these leases was recognized on a straight-line basis over the terms of the respective leases. Contingent revenue was recognized when the thresholds upon which it is based had been met. On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to subsidiaries of the Company, in lieu of foreclosure, COPI's lessee interests in the eight Resort/Hotel Properties previously leased to COPI.

INVESTMENTS IN REAL ESTATE MORTGAGES AND EQUITY OF UNCONSOLIDATED COMPANIES Investments in which the Company does not have a controlling interest are accounted for under the equity method. See "Note 4. Investments in Real Estate Mortgages and Equity in Unconsolidated Companies" for a list of the unconsolidated entities and the Company's ownership of each.

BEHAVIORAL HEALTHCARE PROPERTIES During 1999, Charter Behavioral Health Systems' ("CBHS") business was negatively affected by many factors, including adverse industry conditions, and CBHS failed to perform in accordance with its operating budget. As a result, in the third quarter of 1999, the Company began to recognize rent from CBHS on a cash basis, due to the uncertainty that CBHS would be able to fulfill its rental obligations under the lease.

INCOME TAXES

A REIT will generally not be subject to federal income taxation on that portion of its income that qualifies as REIT taxable income to the extent that it distributes such taxable income to its shareholders and complies with certain requirements (including distribution of at least 90% of its REIT taxable income). As a REIT, the Company is allowed to reduce REIT taxable income by all or a portion of its distributions to shareholders. Because distributions have exceeded REIT taxable income, no federal income tax provision (benefit) has been reflected in the accompanying consolidated financial statements. State income taxes are not significant.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

EARNINGS PER SHARE

SFAS No.128 "Earnings Per Share" ("EPS") specifies the computation, presentation and disclosure requirements for earnings per share. Basic EPS excludes all dilution while Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

	FOR THE YEAR ENDED DECEMBER 3			
	2001			
	Income (Loss)	Wtd. Avg. Shares	Per Share Amount	Income
BASIC EPS -				
Net income before extraordinary item and discontinued operations	$ 6,115	107,613		$ 251,178
6 3/4% Series A Preferred Share distributions	(13,501)			(13,500

Share repurchase agreement return	--			(2,906
Forward share purchase agreement return	--			--
Net (loss) income available to common shareholders before extraordinary item and discontinued operations	$ (7,386)	107,613	$ (0.07)	$ 234,772
Extraordinary item - extinguishment of debt	(10,802)		(0.10)	(3,928
Discontinued operations	28		--	872
Net (loss) income available to common shareholders	$ (18,160)	107,613	$ (0.17)	$ 231,716
DILUTED EPS -				
Net (loss) income before extraordinary item and discontinued operations	$ (7,386)	107,613		$ 234,772
Effect of dilutive securities:				
Additional common shares obligation relating to:				
Share and unit options	--	1,527		--
Forward share purchase agreement	--	--		--
Net (loss) income available to common shareholders before extraordinary item and discontinued operations	$ (7,386)	109,140	$ (0.07)	$ 234,772
Extraordinary item - extinguishment of debt	(10,802)		(0.10)	(3,928
Discontinued operations	28		--	872
Net (loss) income available to common shareholders	$ (18,160)	109,140	$ (0.17)	$ 231,716

	FOR THE YEAR ENDED DECEMBER 31,		
	1999		
	Income (Loss)	Wtd. Avg. Shares	Per Share Amount
BASIC EPS -			
Net income before extraordinary item and discontinued operations	$ 10,106	122,876	
6 3/4% Series A Preferred Share distributions	(13,500)		
Share repurchase agreement return	(583)		
Forward share purchase agreement return	(4,317)		
Net (loss) income available to common shareholders before extraordinary item and discontinued operations	$ (8,294)	122,876	$ (0.07)
Extraordinary item - extinguishment of debt	--		--

Discontinued operations	853		0.01
Net (loss) income available to common shareholders	$ (7,441)	122,876	$ (0.06)
DILUTED EPS -			
Net (loss) income before extraordinary item and discontinued operations	$ (8,294)	122,876	
Effect of dilutive securities:			
Additional common shares obligation relating to:			
Share and unit options	--	1,674	
Forward share purchase agreement	--	263	
Net (loss) income available to common shareholders before extraordinary item and discontinued operations	$ (8,294)	124,813	$ (0.07)
Extraordinary item - extinguishment of debt	--		--
Discontinued operations	853		0.01
Net (loss) income available to common shareholders	$ (7,441)	124,813	$ (0.06)

The effect of the conversion of the Series A Convertible Cumulative Preferred Shares is not included in the computation of Diluted EPS for the years ended December 31, 2001, 2000 and 1999, since the effect of their conversion is antidilutive.

SUPPLEMENTAL DISCLOSURE TO STATEMENTS OF CASH FLOWS

	FOR THE
	2001
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Interest paid on debt	$ 174,584
Additional interest paid in conjunction with cash flow hedges	11,036
Total Interest Paid	$ 185,620

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
Conversion of Operating Partnership units to common shares with resulting reduction in minority interest and increases in common shares and additional paid-in capital	$ 2,857
Issuance of Operating Partnership units in conjunction with settlement of an obligation	--
Acquisition of partnership interests	--
Sale of marketable securities	(8,118)
Unrealized gain (loss) on available-for-sale securities	596
Forward Share Purchase Agreement Return	--
Share Repurchase Agreement Return	--
Impairment and other charges related to real estate assets	25,332
Adjustment of cash flow hedge to fair value	(17,228)
Equity investment in a tenant in exchange for office space/other investment ventures	--
Acquisition of ownership of certain assets previously owned by Broadband Office, Inc.	7,200
Impairment and other charges related to COPI	92,782
Additional compensation expense related to employee notes receivable	750

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," which provides that all business combinations in the scope of the statement are to be accounted for under the purchase method. This statement is effective for all business combinations initiated after June 30, 2001, as well as all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later. Since the Company currently accounts for its acquisitions under the purchase method, management does not believe that the adoption of this statement will have a material effect on its interim or annual financial statements.

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets" (effective January 1, 2002). SFAS No. 142 specifies that goodwill and certain other types of intangible assets may no longer be amortized, but instead are subject to periodic impairment testing. If an impairment charge is required, the charge is reported as a change in accounting principle and is included in operating results as a Cumulative Effect of a Change in Accounting Principle. SFAS No. 142 provides for a transitional period of up to 12 months. In prior periods, Crescent tested goodwill for impairment under the provisions SFAS No. 121, "Accounting for the Impairment of

Long-Lived Assets," under which an impairment loss is recognized when expected undiscounted future cash flows are less than the carrying value of the asset. For the year ended December 31, 2001, the expected future operating cash flows of the Temperature-Controlled Logistics Corporation on an undiscounted basis exceeded the carrying amounts of the properties and other long-lived assets, including goodwill. Accordingly, no impairment was recognized. Upon the adoption of SFAS 142, the Temperature-Controlled Logistics Corporation compared the fair value of the Temperature-Controlled Logistics Properties based on discounted

cash flows to the carrying value of the Temperature-Controlled Logistics Properties and the related goodwill. Based on this test, the fair value did not exceed the carrying value of the assets and, accordingly, the goodwill was impaired. Any need for impairment must be assessed within the first six months and the amount of impairment must be determined within the next six months. Any additional impairment taken in subsequent interim periods during 2002 related to the initial adoption of this statement will require the first quarter financial statements to be restated. During the three months ended March 31, 2002, the Company recognized a goodwill impairment charge of approximately $10,500 due to the initial application of this statement. This charge was due to impairments (net of minority interests and taxes) of the goodwill at the Temperature-Controlled Logistics Corporation of $9,200 and one of the Residential Development Corporations of $1,300. This charge was reported as a change in accounting principle and was included in the Company's consolidated statements of operations as a "Cumulative Effect of a Change in Accounting Principle" for the three months ended March 31, 2002.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The Company has determined that SFAS No. 143 will have no material effect on its interim and annual financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 requires that the results of operations, including any gains or losses recognized, be disclosed separately on the Company's consolidated statements of operations. The Company adopted SFAS No. 144 on January 1, 2002. From January 1, 2002 through June 30, 2002, the Company sold three Office Properties and classified two other office assets as held for sale. The Company also owns nine behavioral healthcare properties which are held for sale. In accordance with SFAS No. 144, the results of operations of these assets have been presented as "Discontinued Operations - Income on Assets Sold and Held for Sale" in the accompanying consolidated statements of operations. The carrying value of the assets held for sale have been reflected as "Properties Held for Disposition, Net" in the accompanying consolidated balance sheet as of December 31, 2001. As a result of the adoption, the Company has reclassified certain amounts in prior period financial statements to conform with the new presentation requirements.

3. SEGMENT REPORTING:

The Company currently has four major investment segments: the Office Segment; the Resort/Hotel Segment; the Residential Development Segment; and the Temperature-Controlled Logistics Segment. Management organizes the segments within the Company based on property type for making operating decisions and assessing performance. Investment segments for SFAS No. 131 are determined on the same basis.

The Company uses funds from operations ("FFO") as the measure of segment profit or loss. FFO, based on the revised definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), effective January 1, 2000, and as used in this document, means:

- Net Income (Loss) - determined in accordance with generally accepted accounting principles ("GAAP");
  - excluding gains (or losses) from sales of depreciable operating property;

- excluding extraordinary items (as defined by GAAP);
- plus depreciation and amortization of real estate assets; and
- after adjustments for unconsolidated partnerships and joint ventures.

NAREIT developed FFO as a relative measure of performance and liquidity of an equity REIT to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. The Company considers FFO an appropriate measure of performance for an equity REIT, and for its investment segments. However FFO:

- does not represent cash generated from operating activities determined in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events that enter into the determination of net income);
- is not necessarily indicative of cash flow available to fund cash needs;
- should not be considered as an alternative to net income determined in accordance with GAAP as an indication of the Company's operating performance, or to cash flow from operating activities determined in accordance with GAAP as a measure of either liquidity or the Company's ability to make distributions; and
- the Company's measure of FFO may not be comparable to similarly titled measures of other REITs because these REITs may apply the definition of FFO in a different manner than the Company.

Selected financial information related to each segment for the years ended December 31, 2001, 2000 and 1999 is presented below.

	FOR THE YEAR ENDED DECEMBE	
	2001	2000
REVENUES:		
Office Segment(1)	$ 606,053	$ 601,492
Resort/Hotel Segment	45,748	72,114
Residential Development Segment	--	--
Temperature-Controlled Logistics Segment	--	--
Corporate and Other(2)	40,190	40,251

TOTAL REVENUE	$ 691,991	$ 713,857
FUNDS FROM OPERATIONS:		
Office Segment	$ 358,349	$ 361,574
Resort/Hotel Segment	45,282	71,446
Residential Development Segment	54,051	78,600
Temperature-Controlled Logistics Segment	23,806	33,563
Corporate and other adjustments:		
Interest expense	(182,410)	(203,197)
6 3/4% Series A Preferred Share distributions	(13,501)	(13,500)
Other(3)	8,571	22,484
Corporate general & administrative	(24,249)	(24,073)
Impairment and other charges related to COPI	(92,782)	--
Settlement of merger dispute	--	--
TOTAL FUNDS FROM OPERATIONS	$ 177,117	$ 326,897
ADJUSTMENTS TO RECONCILE FUNDS FROM OPERATIONS TO NET INCOME:		
Depreciation and amortization of real estate assets	(122,033)	(119,999)
Gain on rental property sales, net	2,835	136,880
Impairment and other charges related to real estate assets	(21,705)	(17,874)
Extraordinary item - extinguishment of debt	(10,802)	(3,928)
Adjustment for investments in real estate mortgages and equity of unconsolidated companies:		
Office Properties	(6,955)	(4,973)
Residential Development Properties	(13,037)	(25,130)
Temperature-Controlled Logistics Properties	(22,671)	(26,131)
Other	(144)	--
Unitholder minority interests	(765)	(31,120)
6 3/4% Series A Preferred Share distributions	13,501	13,500
NET (LOSS) INCOME	$ (4,659)	$ 248,122
EQUITY IN NET INCOME OF UNCONSOLIDATED COMPANIES:		
Office Properties	$ 6,124	$ 3,164
Resort/Hotel Properties	--	--
Residential Development Properties	41,014	53,470
Temperature-Controlled Logistics Properties	1,136	7,432
Other(3)	2,957	11,645
TOTAL EQUITY IN NET INCOME OF UNCONSOLIDATED COMPANIES	$ 51,231	$ 75,711

	BALANCE AT DECEMBER 31,	
	2001	2000
IDENTIFIABLE ASSETS:		
Office Segment	$2,727,939	$3,088,653
Resort/Hotel Segment	442,724	468,286
Residential Development Segment	371,535	305,187
Temperature-Controlled Logistics Segment	308,427	308,035

Other(3)	291,524	373,157
TOTAL IDENTIFIABLE ASSETS	$4,142,149	$4,543,318

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(1) Excludes financial information for the four Office Properties included in "Equity of Net Income of Unconsolidated Companies."

(2) For purposes of this Note, the behavioral healthcare properties' financial information has been included in this line item.

(3) Includes interest and other income, behavioral healthcare property income, preferred return paid to GMAC Commercial Mortgage Corporation ("GMACCM"), other unconsolidated companies, less depreciation and amortization of non-real estate assets and amortization of deferred financing costs.

At December 31, 2001, COPI was the Company's largest lessee in terms of total revenues. COPI was the lessee of eight of the Resort/Hotel Properties for the year ended December 31, 2001. Total revenues recognized from COPI for the year ended December 31, 2001 were approximately 6% of the Company's total revenues. On February 14, 2002, the

Company executed an agreement with COPI, pursuant to which COPI transferred to subsidiaries of the Company, in lieu of foreclosure, COPI's lessee interests in the eight Resort/Hotel Properties previously leased to COPI.

See "Note 4. Investments in Real Estate Mortgages and Equity of Unconsolidated Companies - Temperature-Controlled Logistics Properties" for a description of the sole lessee of the Temperature-Controlled Logistics Properties.

4. INVESTMENTS IN REAL ESTATE MORTGAGES AND EQUITY OF UNCONSOLIDATED COMPANIES:

Investments in which the Company does not have a controlling interest are accounted for under the equity method. The following is a summary of the Company's ownership in significant joint ventures or equity investments:

ENTITY	CLASSIFICATION	AS
Desert Mountain Development Corporation(1)	Residential Development Corporation	
The Woodlands Land Company, Inc.(1)	Residential Development Corporation	
Crescent Resort Development, Inc.(1)	Residential Development Corporation	
Mira Vista Development Corp.	Residential Development Corporation	
Houston Area Development Corp.	Residential Development Corporation	
Temperature-Controlled Logistics Partnership	Temperature-Controlled Logistics	
The Woodlands Commercial Properties Company, L.P.	Office	
Main Street Partners, L.P.	Office (Bank One Center)	
Crescent 5 Houston Center, L.P.	Office (5 Houston Center)	

Austin PT BK One Tower Office Limited Partnership	Office (Bank One Tower)
Houston PT Four Westlake Office Limited Partnership	Office (Four Westlake Park)
DBL Holdings, Inc.	Other
CRL Investments, Inc.(1)	Other
CR License, LLC(1)	Other

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(1) On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to subsidiaries of the Company, pursuant to a strict foreclosure, COPI's interest in these entities. The Company will fully consolidate the operations of these entities, other than CR License, LLC, beginning on the dates of the asset transfers.

(2) See the Residential Development Properties Table included in "Item 2. Properties" for the Residential Development Corporation's ownership interest in the Residential Development Properties.

(3) The remaining 5.0% interest in Desert Mountain Development Corporation, which represents 100% of the voting stock, was owned by COPI as of December 31, 2001.

(4) The remaining 5.0% interest in The Woodlands Land Company, Inc., which represents 100% of the voting stock, was owned by COPI as of December 31, 2001.

(5) The remaining 10.0% interest in Crescent Resort Development, Inc., which represents 100% of the voting stock, was owned by COPI Colorado, L. P., of which 60.0% was owned by COPI as of December 31, 2001, with 20% owned by John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company, and 20% owned by a third party.

(6) The remaining 6.0% interest in Mira Vista Development, Corp. ("MVDC"), which represents 100% of the voting stock, is owned 4.0% by DBL Holdings, Inc. ("DBL") and 2.0% by third parties.

(7) The remaining 6.0% interest in Houston Area Development Corp. ("HADC"), which represents 100% of the voting stock, is owned 4.0% by DBL Holdings, Inc. ("DBL") and 2.0% by a third party.

(8) The remaining 60.0% interest in the Temperature-Controlled Logistics Partnership is owned by Vornado Realty Trust, L.P.

(9) The remaining 57.5% interest in The Woodlands Commercial Properties Company, L. P. is owned by Morgan Stanley Real Estate Fund II, L. P. ("Morgan Stanley").

(10) Distributions are made to partners based on specified payout percentages. During the year ended December 31, 2001, the payout percentage to the Company was 49.5%.

(11) The remaining 50.0% interest in Main Street Partners, L.P. is owned by TrizecHahn Corporation.

(12) See "5 Houston Center" below.

(13) See "Four Westlake Park and Bank One Tower" below.

(14) John Goff, Vice-Chairman of the Board of Trust Managers and Chief

Executive Officer of the Company, obtained the remaining 2.6% economic interest in DBL (including 100% of the voting interest in DBL) in exchange for his voting interests in MVDC and HADC, originally valued at approximately $380, and approximately $63 in cash, or total consideration valued at approximately $443. At December 31, 2001, Mr. Goff's interest in DBL was approximately $554.

(15) The remaining 5.0% interest in CRL Investments, Inc., which represents 100% of the voting stock, was owned by COPI as of December 31, 2001.

(16) Of the remaining 71.5% interest in CR License, LLC, 70.0% is owned by a group of individuals unrelated to the Company, and 1.5% was owned by COPI, as of December 31, 2001.

JOINT VENTURE ARRANGEMENTS

5 Houston Center

On June 4, 2001, the Company entered into a joint venture arrangement with a pension fund advised by JP Morgan Investment Management, Inc. ("JPM") to construct the 5 Houston Center Office Property within the Company's Houston Center mixed-use Office Property complex in Houston, Texas. The Class A Office Property will consist of 577,000 net rentable square feet. The joint venture is structured such that the fund holds a 75% equity interest, and the Company holds a 25% equity interest in the Property, which is accounted for under the equity method. The Company contributed approximately $8,500 of land and $12,300 of development costs to the joint venture entity and received a distribution of $14,800 of net proceeds. No gain or loss was recognized by the Company on this transaction. In addition, the Company is developing, and will manage and lease the Property on a fee basis. During the year ended December 31, 2001, the Company recognized $2,300 for these services.

During the second quarter of 2001, the joint venture entity obtained an $82,500 construction loan guaranteed by the Company, due May 2004, that bears interest at Prime (as defined in the loan agreement) plus 100 basis points or LIBOR plus 225 basis points, at the discretion of the borrower. The interest rate on the loan at December 31, 2001 was 4.12%. The balance outstanding on this construction loan at December 31, 2001, was $10,429.

Four Westlake Park and Bank One Tower

On July 30, 2001, the Company entered into joint venture arrangements with an affiliate of General Electric Pension Fund ("GE") in which the Company contributed two Office Properties, Four Westlake Park in Houston, Texas, and Bank One Tower in Austin, Texas into the joint ventures and GE made a cash contribution. The joint ventures are structured such that GE holds an 80% equity interest in each of Four Westlake Park, a 560,000 square foot Class A Office Property located in the Katy Freeway submarket of Houston, and Bank One Tower, a 390,000 square foot Class A Office Property located in downtown Austin. The Company continues to hold the remaining 20% equity interests in each Property, which are accounted for under the equity method. The joint ventures generated approximately $120,000 in net cash proceeds to the Company, including distributions to the Company resulting from the sale of its 80% equity interest and from mortgage financing at the joint venture level. None of the mortgage financing at the joint venture level is guaranteed by the Company. The Company has no commitment to reinvest the cash proceeds back into the joint ventures. The joint ventures were accounted for as partial sales of these Office Properties, resulting in a gain of approximately $7,577, net of a deferred gain of approximately $1,894. In addition, the Company manages and leases the Office

Properties on a fee basis. During the year ended December 31, 2001, the Company recognized $227 for these services.

METROPOLITAN

On May 24, 2001, the Company converted its $85,000 preferred member interest in Metropolitan Partners, LLC ("Metropolitan") and $1,900 of deferred acquisition costs, into approximately $75,000 of common stock of Reckson Associates Realty Corp. ("Reckson"), resulting in an impairment charge of approximately $11,900. The Company subsequently sold the Reckson common stock on August 17, 2001 for approximately $78,600, resulting in a gain of approximately $3,600. The proceeds were used to pay down the Fleet Facility.

DISPOSITIONS

On September 27, 2001, the Woodlands Commercial Properties Company, L.P., ("Woodlands CPC"), owned by the Company and an affiliate of Morgan Stanley, sold one office/venture tech property located within The Woodlands, Texas. The sale generated net proceeds, after the repayment of debt, of approximately $2,700, of which the Company's portion was approximately $1,300. The sale generated a net gain of approximately $3,500, of which the Company's portion was approximately $1,700. The net proceeds received by the Company were used primarily to pay down variable-rate debt.

On November 9, 2001, The Woodlands Land Development Company, L.P., owned by the The Woodlands Land Company, Inc. and an affiliate of Morgan Stanley, sold two office properties and one retail property located within The Woodlands, Texas. The sales generated net proceeds, after the repayment of debt, of approximately $41,800, of which the Company's portion was approximately $19,700. The sale generated a net gain of approximately $13,300, of which the

Company's portion was approximately $3,800. The net proceeds received by the Company were used primarily to pay down variable-rate debt.

During the year ended December 31, 2000, the Woodlands CPC also sold four office/venture tech properties located within The Woodlands, Texas. The sale generated net proceeds of approximately $51,800, of which the Company's portion was approximately $22,000. The sale generated a net gain of approximately $11,800, of which the Company's portion was approximately $5,000. The proceeds received by the Company were used primarily for working capital purposes.

TEMPERATURE-CONTROLLED LOGISTICS PROPERTIES

Effective March 12, 1999, the Company, Vornado Realty Trust, COPI, the Temperature-Controlled Logistics Partnership and the Temperature-Controlled Logistics Corporation (including all affiliated entities that owned any portion of the business operations of the Temperature-Controlled Logistics Properties at that time) sold all of the non-real estate assets, encompassing the business operations, for approximately $48.7 million to a newly formed partnership ("AmeriCold Logistics") owned 60% by Vornado Operating L.P. and 40% by a newly formed subsidiary of COPI. The Company has no interest in AmeriCold Logistics.

As of December 31, 2001, the Company held a 40% interest in the Temperature-Controlled Logistics Partnership, which owns the Temperature-Controlled Logistics Corporation, which directly or indirectly owns the 89 Temperature-Controlled Logistics Properties, with an aggregate of

approximately 445.2 million cubic feet (17.7 million square feet) of warehouse space.

AmeriCold Logistics, as sole lessee of the Temperature-Controlled Logistics Properties, leases the Temperature-Controlled Logistics Properties from the Temperature-Controlled Logistics Corporation under three triple-net master leases, as amended on January 23, 2002. On February 22, 2001, the Temperature-Controlled Logistics Corporation and AmeriCold Logistics agreed to restructure certain financial terms of the leases, including the adjustment of the rental obligation for 2001 to $146,000, the adjustment of the rental obligation for 2002 to $150,000 (plus contingent rent in certain circumstances), the increase of the Temperature-Controlled Logistics Corporation's share of capital expenditures for the maintenance of the properties from $5,000 to $9,500 (effective January 1, 2000) and the extension of the date on which deferred rent was required to be paid to December 31, 2003.

In the first quarter of 2000, AmeriCold Logistics started to experience a slowing in revenue growth from the previous year. This was primarily due to customers focusing more interest on inventory management in an effort to improve operating performance. Starting in 2000 and continuing into 2001, AmeriCold Logistics has seen consolidation among retail and food service channels begin to significantly limit the ability of manufacturers to pass along cost increases by raising prices. Because of this, manufacturers are focused on supply chain cost (such as inventory management, transportation and distribution) reduction initiatives in an effort to improve operating performance. In the second and third quarters of 2000, AmeriCold Logistics deferred a portion of its rent payments in accordance with the terms of the leases of the Temperature-Controlled Logistics Properties. For the three months ended June 30, 2000, the Temperature-Controlled Logistics Corporation recorded a valuation allowance for a portion of the rent that had been deferred during that period, and for the three months ended September 30, 2000 recorded a valuation allowance for 100% of the rent that had been deferred during the three months ended September 30, 2000 and has continued to record a valuation allowance for 100% of the deferred rent prospectively. These valuation allowances resulted in a decrease in the equity in net income of the Company in the Temperature-Controlled Logistics Corporation. The Temperature-Controlled Logistics Corporation had not recorded a valuation allowance with respect to rent deferred by Americold Logistics prior to the quarter ended June 30, 2000, because the financial condition of Americold Logistics prior to that time did not indicate the inability of Americold Logistics ultimately to make the full rental payments. As a result of continuing net losses and the increased amount of deferred rent, the Temperature-Controlled Logistics Corporation determined that the collection of additional deferred rent was doubtful.

AmeriCold Logistics deferred $25,500 of rent for the year ended December 31, 2001, of which the Company's share was $10,200. AmeriCold Logistics also deferred $19,000 and $5,400 of rent for the years ended December 31, 2000 and 1999, respectively, of which the Company's share was $7,500 and $2,100, respectively. In December 2001, the Temperature Controlled Logistics Corporation waived its right to collect $39,800 of the total $49,900 of deferred rent, of which the

Company's share was $15,900. The Temperature-Controlled Logistics Corporation and the Company began to recognize rental income when earned and collected during the year ended December 31, 2000 and continued this accounting treatment for the year ended December 31, 2001; therefore, there was no financial statement impact to the Temperature-Controlled Logistics Corporation or to the

Company related to the Temperature-Controlled Logistics Corporation's decision to waive collection of deferred rent.

The following table shows the total, and the Company's portion of the total, deferred rent, valuation allowance and waived rent at December 31, 2001.

	DEFERRED RENT		VALUATION ALLOWANCE		
	TOTAL	COMPANY'S PORTION	TOTAL	COMPANY'S PORTION	T
For the year ended December 31,					
1999	$ 5,400	$ 2,100	$ --	$ --	$
2000	19,000	7,500	16,300	6,500	
2001	25,500	10,200	25,500	10,200	
Balance at December 31, 2001	$ 49,900	$ 19,800	$ 41,800	$ 16,700	$

OTHER

During the year ended December 31, 2001, the Company recognized an impairment loss of $5,000, which is included in Impairment and Other Charges Related to Real Estate Assets, on a fund which primarily holds real estate investments and marketable securities, in which the Company has an interest.

During the year ended December 31, 2000, the Company recognized an impairment loss of $8,525, which is included in Impairment and Other Charges Related to Real Estate Assets, on a fund which primarily holds real estate investments and marketable securities, in which the Company has an interest.

The Company reports its share of income and losses based on its ownership interest in its respective equity investments, adjusted for any preference payments. The following summarized information for all unconsolidated companies is presented below with significant subsidiaries identified under the captions "Desert Mountain Development Corporation," "Crescent Resort Development, Inc." and "The Woodlands Land Company, Inc.," and all other unconsolidated Companies presented on an aggregate basis classified under the captions "Other Residential Development Corporations," "Temperature-Controlled Logistics," "Office" and "Other," as applicable, as of December 31, 2001, 2000 and 1999.

BALANCE SHEETS:

	BALANCE AT DECEMBER 31, 2001			
	CRESCENT RESORT DEVELOPMENT, INC.	THE WOODLANDS LAND COMPANY, INC.	OTHER RESIDENTIAL DEVELOPMENT CORPORATIONS	TEMPERATURE-CONTROLLED LOGISTICS

Real estate, net	$ 393,784	$ 365,636	$ 173,991	$1,271,809
Cash	17,570	2,688	7,973	23,979
Other assets	31,749	32,244	94,392	83,424
Total assets	$ 443,103	$ 400,568	$ 276,356	$1,379,212
Notes payable	$ --	$ 225,263	$ --	$ 558,951
Notes payable to the Company	180,827	--	60,000	4,831
Other liabilities	232,767	74,271	168,671	46,945
Equity	29,509	101,034	47,685	768,485
Total liabilities and equity	$ 443,103	$ 400,568	$ 276,356	$1,379,212
Company's share of unconsolidated debt(1)	$ --	$ 90,949	$ --	$ 223,580
Company's investments in real estate mortgages and equity of unconsolidated companies	$ 222,082	$ 29,046	$ 120,407	$ 308,427

SUMMARY STATEMENTS OF OPERATIONS:

	FOR THE YEAR ENDED DECEMBER 31,			
	CRESCENT RESORT DEVELOPMENT, INC.	THE WOODLANDS LAND COMPANY, INC.	OTHER RESIDENTIAL DEVELOPMENT CORPORATIONS	TEMPERATURE-CONTROLLED LOGISTICS
Total revenues	$ 195,163	$ 188,178	$ 93,462	$ 127,033
Expenses:				
Operating expense	175,424	104,486	83,074	20,350(3)
Interest expense	1,373	4,967	1,641	44,988
Depreciation and amortization	2,726	5,599	6,185	58,855
Taxes	641	14,676	(4,222)	--
Total expenses	180,164	129,728	86,678	124,193
Net income	$ 14,999	$ 58,450	$ 6,784	$ 2,840(3)
Company's equity in net income of unconsolidated companies	$ 14,944	$ 20,943	$ 5,127	$ 1,136

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(1) The Company has guarantees or letters of credit related to

approximately $89,300, or 17% of its maximum borrowings available under its unconsolidated debt. At December 31, 2001, the Company had guarantees or letters of credit related to approximately $17,000, or 4% of its total outstanding unconsolidated debt.

(2) This column includes information for Four Westlake Park and Bank One Tower. These Office Properties were contributed by the Company to joint ventures on July 30, 2001. Therefore, net income for 2001 includes only the months of August through December for these Properties.

(3) Inclusive of the preferred return paid to Vornado Realty Trust (1% per annum of the Total Combined Assets).

BALANCE SHEETS:

	BALANCE AT DECEMBER 31, 2000			
	DESERT MOUNTAIN DEVELOPMENT CORPORATION	CRESCENT RESORT DEVELOPMENT, INC.	THE WOODLANDS LAND COMPANY, INC.	OTHER RESIDENT DEVELOPM CORPORAT
Real estate, net	$ 147,484	$ 232,920	$ 406,660	$ 16,
Cash	5,733	37,148	10,739	6,
Other assets	70,503	81,679	37,930	4,
Total assets	223,720	$ 351,747	$ 455,329	$ 27,
Notes payable	$ --	$ --	$ 255,356	$
Notes payable to the Company	59,000	130,727	--	
Other liabilities	130,834	183,013	96,533	2,
Equity	33,886	38,007	103,440	25,
Total liabilities and equity	$ 223,720	$ 351,747	$ 455,329	$ 27,
Company's share of unconsolidated debt	$ --	$ --	$ 103,100	$
Company's investments in real estate mortgages and equity of unconsolidated companies	$ 109,092	$ 150,118	$ 24,525	$ 21,

	BALANCE AT DECEMBER 31, 2000		
	TEMPERATURE-CONTROLLED LOGISTICS	OFFICE	OTHER

Real estate, net	$ 1,303,810	$ 394,724	
Cash	19,606	34,599	
Other assets	82,883	34,897	
Total assets	$ 1,406,299	$ 464,220	
Notes payable	$ 581,807	$ 251,785	
Notes payable to the Company	11,333	--	
Other liabilities	57,556	46,054	
Equity	755,603	166,381	
Total liabilities and equity	$ 1,406,299	$ 464,220	
Company's share of unconsolidated debt	$ 232,723	$ 118,485	
Company's investments in real estate mortgages and equity of unconsolidated companies	$ 308,035	$ 98,308	$ 133,787

SUMMARY STATEMENTS OF OPERATIONS:

	FOR THE YEAR ENDED DECEMBER 31, 2000			
	DESERT MOUNTAIN DEVELOPMENT CORPORATION	CRESCENT RESORT DEVELOPMENT, INC.	THE WOODLANDS LAND COMPANY, INC.	OTHER RESIDENT DEVELOPM CORPORAT
Total revenues	$ 153,680	$ 180,038	$ 180,670	$ 30,
Expenses:				
Operating expense	127,589	158,860	105,231	10,
Interest expense	916	3,157	2,986	
Depreciation and amortization	4,966	6,430	4,479	
Taxes	3,812	979	27,188	1,
Other (income) expense	--	--	--	
Total expenses	$ 137,283	$ 169,426	$ 139,884	$ 12,
Net income	$ 16,397	$ 10,612	$ 40,786	$ 17,
Company's equity in net income of unconsolidated companies	$ 16,109	$ 10,407	$ 16,466	$ 10,

	FOR THE YEAR ENDED DECEMBER 31, 2000

	TEMPERATURE-CONTROLLED LOGISTICS	OFFICE	OTHER
Total revenues	$ 154,341	$ 89,841	
Expenses:			
Operating expense	21,982(1)	34,261	
Interest expense	46,637	25,359	
Depreciation and amortization	57,848	20,673	
Taxes	7,311	--	
Other (income) expense	(2,886)	--	
Total expenses	$ 130,892	$ 80,293	
Net income	$ 23,449(1)	$ 9,548	
Company's equity in net income of unconsolidated companies	$ 7,432	$ 3,164	$ 11,645

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(1) Inclusive of the preferred return paid to Vornado Realty Trust (1% per annum of the Total Combined Assets).

SUMMARY STATEMENTS OF OPERATIONS:

	FOR THE YEAR ENDED DECEMBER 31				
	DESERT MOUNTAIN DEVELOPMENT CORPORATION	CRESCENT RESORT DEVELOPMENT, INC.	THE WOODLANDS LAND COMPANY, INC.	OTHER RESIDENTIAL DEVELOPMENT CORPORATIONS	TEMP CONT LO
Total revenues	$ 192,094	$ 134,411	$ 134,781	$ 41,297	$
Expenses:					
Operating expense	167,848	116,717	80,357	22,022	
Interest expense	10,582	2,709	2,174	37	
Depreciation and amortization	6,435	3,131	4,386	343	
Taxes	(2,668)	1,963	19,146	1,440	
Total expenses	$ 182,197	$ 124,520	$ 106,063	$ 23,842	$
Net income	$ 9,897	$ 9,891	$ 28,718	$ 17,455	$

Company's equity in net income of unconsolidated companies	$ 10,097	$ 9,561	$ 15,548	$ 7,665	$

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(1) Inclusive of the preferred return paid to Vornado Realty Trust (1% per annum of the Total Combined Assets).

5. OTHER ASSETS, NET:

	BALANCE AT DECEMBER 31,	
	2001	2000
Leasing costs	$ 142,440	$ 123,036
Deferred financing costs	46,305	48,645
Prepaid expenses	9,444	3,690
Marketable securities	10,832	50,321
Other	33,272	23,927
	$ 242,293	$ 249,619
Less - Accumulated amortization	(97,281)	(77,644)
	$ 145,012	$ 171,975

6. NOTES PAYABLE AND BORROWINGS UNDER FLEET FACILITY:

The following is a summary of the Company's debt financing at December 31, 2001 and 2000:

	BALANCE AT D
	2001
SECURED DEBT	
UBS Term Loan II,(1) secured by the Funding VIII Properties and the Washington Harbour Office Properties	$ --
Fleet Fund I and II Term Loan(2)(5) due May 2005, bears interest at LIBOR plus 325 basis points (at December 31, 2001, the interest rate was 5.39%), with a four-year interest-only term, secured by equity interests in Funding I and II with a combined book value of $275,000 at December 31, 2001	275,000
AEGON Note(3) due July 2009, bears interest at 7.53% with monthly principal and interest payments based on a 25-year amortization schedule, secured by the	

Funding III, IV and V Properties with a combined book value of $263,456 at December 31, 2001	269,930
LaSalle Note I(4) bears interest at 7.83% with an initial seven-year interest-only term (through August 2002), followed by principal amortization based on a 25-year amortization schedule through maturity in August 2027, secured by the Funding I Properties with a combined book value of $262,672 at December 31, 2001	239,000
Deutsche Bank-CMBS Loan due May 2004, bears interest at the 30-day LIBOR rate plus 234 basis points (at December 31, 2001, the interest rate was 5.84%), with a three-year interest-only term and two one-year extension options, secured by the Funding X Properties and Spectrum Center with a combined book value of $304,699	220,000
JP Morgan Mortgage Note(6) due October 2016, bears interest at a fixed rate of 8.31% with a two-year interest-only term (through October 2001), followed by principal amortization based on a 15-year amortization schedule through maturity in October 2016, secured by the Houston Center mixed-use Office Property complex with a combined book value of $268,978 at December 31, 2001	199,386
LaSalle Note II(7) bears interest at 7.79% with an initial seven-year interest-only term (through March 2003), followed by principal amortization based on a 25-year amortization schedule through maturity in March 2028, secured by the Funding II Properties with a combined book value of $308,145 at December 31, 2001	161,000
UBS Term Loan I,(1) secured by the Funding VIII Properties and the Washington Harbour Office Properties	--
iStar Financial Note due September 2001, bears interest at 30-day LIBOR plus 1.75% (at December 31, 2000, the rate was 8.57%) with an interest-only term, secured by the Fountain Place Office Property with a book value of $112,332 at December 31, 2000	--
UBS Line of Credit,(1) secured by the Funding VIII Properties and the Washington Harbour Properties	--
CIGNA Note due December 2002, bears interest at 7.47% with an interest-only term, secured by the MCI Tower Office Property and Denver Marriott City Center Resort/Hotel Property with a combined book value of $103,773 at December 31, 2001	63,500

	BALANCE AT 2001
SECURED DEBT - CONTINUED	
Metropolitan Life Note V due December 2005, bears interest at 8.49% with monthly principal and interest payments based on a 25-year amortization schedule, secured by the Datran Center Office Properties with a combined book value of $68,653 at December 31, 2001	$ 38,696

Northwestern Life Note due January 2004, bears interest at 7.66% with an interest-only term, secured by the 301 Congress Avenue Office Property with a book value of $36,234 at December 31, 2001	26,000
Metropolitan Life Note I due September 2001, bears interest at 8.88% with monthly principal and interest payments based on a 20-year amortization schedule, secured by five of The Woodlands Office Properties with a combined book value of $12,464 at December 31, 2000	--
Nomura Funding VI Note(8) bears interest at 10.07% with monthly principal and interest payments based on a 25-year amortization schedule through maturity in July 2020, secured by the Funding VI Property with a book value of $35,043 at December 31, 2001	8,187
Woodmen of the World Note (9) due April 2009, bears interest at 8.20% with an initial five-year interest-only term (through April 2006), followed by principal amortization based on a 25-year amortization schedule, secured by the Avallon IV Office Property with a book value of $12,858	8,500
Mitchell Mortgage Note(10) due August 2002, bears interest at 7.00% with an interest-only term, secured by three of The Woodlands Office Properties with a combined book value of $9,167	6,244
Rigney Promissory Note due November 2012, bears interest at 8.50% with quarterly principal and interest payments based on a 15-year amortization schedule, secured by a parcel of land with a book value of $17,123 at December 31, 2001	651
UNSECURED DEBT	
Fleet Facility(2) due May 2004, bears interest at LIBOR plus 187.5 basis points (at December 31, 2001, the interest rate was 3.92%), with a three-year interest-only term and a one year extension option	283,000
2007 Notes(11) bear interest at a fixed rate of 7.50% with a ten-year interest-only term, due September 2007	250,000
2002 Notes(11) bear interest at a fixed rate of 7.00% with a five-year interest-only term, due September 2002	150,000
SHORT-TERM BORROWINGS	
Short-term borrowings (12); variable interest rates ranging from the Fed Funds rate plus 150 basis points to LIBOR plus 375 basis points, with maturities up to August 2002	15,000
Total Notes Payable	$2,214,094

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(1) The UBS Facility was entered into effective January 31, 2000 and amended on May 10, 2000 and May 18, 2000. As amended, the UBS Facility consisted of three tranches: the UBS Line of Credit, the UBS Term Loan I and the UBS Term Loan II. In May 2001, the Company repaid and retired the UBS Facility with proceeds from a $970,000 debt refinancing. The interest rate on the UBS Line of Credit and the UBS Term Loan I was equal to LIBOR plus 250 basis points. The interest rate on the UBS Term Loan II was equal to LIBOR plus 275 basis points. As of December 31, 2000, the interest rate on the UBS Line of Credit and UBS Term Loan I was 9.20%, and the interest rate on the UBS Term Loan II was 9.46%. The weighted average interest rate on the UBS Line of Credit for the year

ended December 31, 2000 was 8.91%. As of December 31, 2000, the UBS Facility was secured by 25 Office Properties and four Resort/Hotel Properties with a combined book value of $1,042,207.

(2) For a description of the Fleet Fund I and II Term Loan and the Fleet Facility, see "Debt Refinancing and Fleet Facility" section below.

(3) The outstanding principal balance of this note at maturity will be approximately $224,100.

(4) In August 2007, the interest rate will increase, and the Company is required to remit, in addition to the monthly debt service payment, excess property cash flow, as defined, to be applied first against principal until the note is paid in full and thereafter, against accrued excess interest, as defined. It is the Company's intention to repay the note in full at such time (August 2007) by making a final payment of approximately $220,500.

(5) The Fleet Fund I and II Term Loan, entered into in May 2001, modified and replaced the previously outstanding Fleet Term Note II. Prior to the modification and replacement, the Fleet Term Note II was due August 31, 2003, bore interest at the 30-Day LIBOR rate plus 234 basis points (at December 31, 2000, the interest rate was 10.63%) with a four-year interest-only term, secured by equity interests in Funding I and II with a combined value of $200,000 at December 31, 2000.

(6) At the end of seven years (October 2006), the interest rate will adjust based on current interest rates at that time. It is the Company's intention to repay the note in full at such time (October 2006) by making a final payment of approximately $177,800.

(7) In March 2006, the interest rate will increase, and the Company is required to remit, in addition to the monthly debt service payment, excess property cash flow, as defined, to be applied first against principal until the note is paid in full and thereafter, against accrued excess interest, as defined. It is the Company's intention to repay the note in full at such time (March 2006) by making a final payment of approximately $154,100.

(8) In July 2010, the interest rate due under the note will change to a 10-year Treasury yield plus 500 basis points or, if the Company so elects, it may repay the note without penalty at that date.

(9) The outstanding principal balance of this loan at maturity will be approximately $8,200.

(10) In August 2002, the Mitchell Mortgage Note was extended through September 2003.

(11) The notes were issued in an offering registered with the SEC.

(12) Short-term borrowings include the unsecured JP Morgan Loan Sales Facility, a $50,000 credit facility, and the $50,000 unsecured Fleet Bridge Loan. The lender under the JP Morgan Loan is not required to fund draws under the loan unless certain conditions not within the control of the Company are met. As a result, the Company maintains sufficient availability under the Fleet Facility to repay the JP Morgan

Loan Sales Facility at any time. At December 31, 2001, $10,000 was outstanding on the JP Morgan Loan Sales Facility and $5,000 was outstanding on the Fleet Bridge Loan.

Below are the aggregate principal payments required as of December 31, 2001 under indebtedness of the Company by year. Scheduled principal installments and amounts due at maturity are included.

	SECURED	UNSECURED	TOTAL
2002	$ 80,157	$ 165,000	$ 245,157
2003	15,060	--	15,060
2004	262,857(1)	283,000(1)	545,857
2005	329,339	--	329,339
2006	347,207	--	347,207
Thereafter	481,474	250,000	731,474
	$ 1,516,094	$ 698,000	$ 2,214,094

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(1) These amounts do not represent the effect of a one-year extension option on the Fleet Facility and two one-year extension options on the Deutsche Bank - CMBS Loan.

The Company has approximately $245,157 of secured and unsecured debt payments due during 2002, consisting primarily of the Cigna Note, the Mitchell Mortgage Note and the 2002 Notes which are expected to be funded through replacement debt financing.

Any uncured or unwaived events of default on the Company's loans can trigger an acceleration of payment on the loan in default. In addition, a default by the Company or any of its subsidiaries with respect to any indebtedness in excess of $5,000 generally will result in a default under the Fleet Facility and the Fleet I and II Term Loan after the notice and cure periods for the other indebtedness have passed. As of December 31, 2001, the Company was in compliance with all of its debt service coverage ratios and other covenants related to its outstanding debt. The Company's debt facilities generally prohibit loan pre-payment for an initial period, allow pre-payment with a penalty during a following specified period and allow pre-payment without penalty after the expiration of that period. During the year ended December 31, 2001, there were no circumstances that would require pre-payment penalties or increased collateral related to the Company's existing debt.

In addition to the subsidiaries listed in "Note 1. Organization and Basis of Presentation," certain other subsidiaries of the Company were formed primarily for the purpose of obtaining secured and unsecured debt or joint venture financings. The following lists these entities, all of which are consolidated and are grouped based on the Properties to which they relate: Funding I and Funding II Properties (CREM Holdings, LLC, Crescent Capital Funding, LLC, Crescent Funding Interest, LLC, CRE Management I Corp., CRE Management II Corp.); Funding III Properties (CRE Management III Corp.); Funding IV Properties (CRE Management IV Corp.); Funding V Properties (CRE Management V Corp.); Funding VI Properties (CRE Management VI Corp.); Funding VIII Properties (CRE Management VIII, LLC); Funding IX Properties (CRE Management IX, LLC); Funding X Properties (CREF X Holdings Management, LLC, CREF X Holdings, L. P., CRE Management X, LLC); Spectrum Center Partners, L.P., Spectrum Mortgage

Associates, L. P., CSC Holdings Management, LLC, Crescent SC Holdings, L. P., CSC Management, LLC); and 5 Houston Center (Development Property) (C5HC Management, LLC, Crescent 5 Houston Center, L. P.).

DEBT REFINANCING AND FLEET FACILITY

In May 2001, the Company (i) repaid and retired the UBS Facility which consisted of the UBS Line of Credit, the UBS Term Loan I and the UBS Term Loan II; (ii) repaid and retired the iStar Financial Note; and (iii) modified and replaced the Fleet Term Note II with proceeds from a $970,000 debt refinancing. In May 2001, the Company wrote off $10,800 of deferred financing costs related to the early extinguishment of the UBS Facility which is included in Extraordinary Item - Extinguishment of Debt.

New Debt Resulting from Refinancing

DESCRIPTION	MAXIMUM BORROWING	INTEREST RATE	MATURI DATE
Fleet Facility	$400,000(1)	LIBOR + 187.5 basis points	2004(
Fleet Fund I and II Term Loan	$275,000	LIBOR + 325 basis points	2005
Deutsche Bank - CMBS Loan	$220,000	LIBOR + 234 basis points	2004(
Deutsche Bank Short-Term Loan	$ 75,000	LIBOR + 300 basis points	2001(

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(1) The $400,000 Fleet Facility is an unsecured revolving line of credit. The weighted average interest rate from the origination of the note in May 2001 through December 31, 2001 is 5.38%.

(2) One-year extension option.

(3) Two one-year extension options.

(4) Repaid September 19, 2001.

Debt Repaid or Modified and Replaced by Refinancing

DESCRIPTION	MAXIMUM BORROWING	INTEREST RATE	MATURITY DATE
UBS Line of Credit	$ 300,000	LIBOR + 250 basis points	2003
UBS Term Loan I	$ 146,775	LIBOR + 250 basis points	2003
UBS Term Loan II	$ 326,677	LIBOR + 275 basis points	2004
Fleet Term Note II	$ 200,000	LIBOR + 400 basis points	2003
iStar Financial Note	$ 97,123	LIBOR + 175 basis points	2001

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(1) All the amounts listed, other than the Fleet Term Note II, were repaid.

In May 2001, the Fleet Term Note II was modified and replaced by the Fleet Fund I and II Term Loan.

7. INTEREST RATE CAPS:

In connection with the closing of the Deutsche Bank - CMBS Loan in May 2001, the Company entered into a LIBOR interest rate cap struck at 7.16% for a notional amount of $220,000, and simultaneously sold a LIBOR interest rate cap with the same terms. Since these instruments do not reduce the Company's net interest rate risk exposure, they do not qualify as hedges and changes to their respective fair values are charged to earnings. As the significant terms of these arrangements are substantially the same, the effects of a revaluation of these instruments are expected to substantially offset each other.

8. CASH FLOW HEDGES:

The Company uses derivative financial instruments to convert a portion of its variable-rate debt to fixed-rate debt and to manage its fixed to variable-rate debt ratio. As of December 31, 2001, the Company had entered into three cash flow hedge agreements which are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133."

The following table shows information regarding the Company's cash flow hedge agreements as of December 31, 2001, and interest expense for the year ended December 31, 2001:

ISSUE DATE	NOTIONAL AMOUNT	MATURITY DATE	REFERENCE RATE	FAIR MARKET VALUE	ADDITIONAL INTEREST EXPE FOR THE YEA ENDED DECEMBER 3
9/1/1999	$ 200,000	9/2/2003	6.183%	$ (10,800)	$ 3,500
2/4/2000	$ 200,000	2/3/2003	7.11%	$ (10,800)	$ 6,000
4/18/2000	$ 100,000	4/18/2004	6.76%	$ (7,200)	$ 2,700

The Company has designated its three cash flow hedge agreements as cash flow hedges of LIBOR-based monthly interest payments on a designated pool of variable-rate LIBOR indexed debt that reprices closest to the reset dates of each cash flow hedge agreement. For retrospective effectiveness testing, the Company uses the cumulative dollar offset approach as described in Derivatives Implementation Group ("DIG") Issue E8. The DIG is a task force designed to assist the FASB in answering questions that companies have resulting from implementation of SFAS No. 133 and 138. The Company uses the change in variable cash flows method as described in DIG Issue G7 for prospective testing as well as for the actual recording of ineffectiveness, if any. Under this method, the Company will compare the changes in the floating rate portion of each cash flow hedge to the floating rate of the hedged items. The cash flow hedges have been and are expected to remain highly effective. Changes in the fair value of these highly effective hedging instruments are recorded in accumulated other comprehensive income. The effective portion that has been deferred in accumulated other comprehensive income will be reclassified to earnings as interest expense when the hedged items impact earnings. If a cash flow hedge

falls outside 80%-125% effectiveness for a quarter, all changes in the fair value of the cash flow hedge for the quarter will be recognized in earnings during the current period. If it is determined based on prospective testing that it is no longer likely a hedge will be highly effective on a prospective basis, the hedge will no longer be designated as a cash flow hedge and no longer qualify for accounting in accordance with SFAS Nos. 133 and 138.

Over the next twelve months, an estimated $16,400 to $18,400 will be reclassified from accumulated other comprehensive income to interest expense and charged against earnings related to the effective portions of the cash flow hedge agreements.

9. RENTALS UNDER OPERATING LEASES:

During 2001, the Company received rental income from the lessees of Office Property and Resort/Hotel Property space under operating leases. On February 14, 2002, the Company executed an agreement with COPI, pursuant to which the Company acquired, in lieu of foreclosure, COPI's lessee interests in the eight Resort/Hotel Properties previously leased to COPI. Therefore, no future rental income from the operating lessee will be recognized for these Resort/Hotel Properties. The Company recognized percentage rental income from the Resort/Hotel Properties of approximately $14,665, $24,622 and $19,648 for the years ended December 31, 2001, 2000 and 1999, respectively.

For noncancelable operating leases for consolidated Office Properties owned as of December 31, 2001, future minimum rentals (base rents) during the next five years and thereafter (excluding tenant reimbursements of operating expenses for Office Properties) are as follows:

	OFFICE PROPERTIES
2002	$ 410,459
2003	350,022
2004	268,891
2005	213,334
2006	165,175
Thereafter	482,383
	$ 1,890,264

Generally, the Office Property leases also require that each customer reimburse the Company for increases in operating expenses above operating expenses during the base year of the customer's lease. These amounts totaled $98,816, $91,735 and $92,865, for the years ended December 31, 2001, 2000 and 1999, respectively. These increases are generally payable in equal installments throughout the year, based on estimated increases, with any differences adjusted at year end based upon actual expenses.

See "Note 2. Summary of Significant Accounting Policies," for further discussion of revenue recognition, and "Note 3. Segment Reporting," for further discussion of significant tenants.

10. COMMITMENTS AND CONTINGENCIES:

LEASE COMMITMENTS

The Company has 12 Properties located on land that is subject to long-term ground leases, which expire between 2015 and 2080. The Company also leases parking spaces in a parking garage adjacent to one of its Properties pursuant to a lease expiring in 2021. Lease expense associated with these leases during each of the three years ended December 31, 2001, 2000, and 1999 was $2,766, $2,869 and $2,642, respectively. Future minimum lease payments due under such leases as of December 31, 2001, are as follows:

	LEASES COMMITMENTS
2002	$ 2,121
2003	2,129
2004	2,136
2005	2,143
2006	2,155
Thereafter	107,219
	$ 117,903

COPI COMMITMENTS

See "Note 22. Subsequent Events," for a description of the Company's commitments related to the agreement with COPI, executed on February 14, 2002.

CONTINGENCIES

Environmental Matters

All of the Properties have been subjected to Phase I environmental assessments, and some Properties have been subjected to Phase II soil and ground water sampling as part of the Phase I assessments. Such assessments have not revealed, nor is management aware of, any environmental liabilities that management believes would have a material adverse effect on the financial position or results of operations of the Company.

11. STOCK AND UNIT BASED COMPENSATION:

STOCK OPTION PLANS

Crescent Equities has two stock incentive plans, the 1995 Stock Incentive Plan (the "1995 Plan") and the 1994 Stock Incentive Plan (the "1994 Plan"). Due to the approval of the 1995 Plan, additional options and restricted shares will no longer be granted under the 1994 Plan. Under the 1994 Plan, Crescent Equities had granted, net of forfeitures, 2,509,800 options and no restricted shares. The maximum number of options and/or restricted shares that Crescent Equities was able to initially grant at inception under the 1995 Plan was 2,850,000 shares. The maximum aggregate number of shares available for grant under the 1995 Plan increases automatically on January 1 of each year by an

amount equal to 8.5% of the increase in the number of common shares and units outstanding since January 1 of the preceding year, subject to certain adjustment provisions. As of January 1, 2001, the number of shares Crescent Equities may grant under the 1995 Plan is 9,677,794. Under the 1995 Plan, Crescent Equities had granted, net of forfeitures, options and restricted shares of 8,546,700 and 23,715 respectively, through December 31, 2001. Under both Plans, options are granted at a price not less than the market value of the shares on the date of grant and expire ten years from the date of grant. The options that have been granted under the 1995 Plan vest over five years, with the exception of 500,000 options that vest over two years, 250,000 options that vest over three and a half years and 60,000 options that vest six months from the initial date of grant. The options that have been granted under the 1994 Plan vest over periods ranging from one to five years.

STOCK OPTIONS PLANS

A summary of the status of Crescent Equities' 1994 and 1995 Plans as of December 31, 2001, 2000 and 1999 and changes during the years then ended is presented in the table below:

	2001		2000	
	OPTIONS TO ACQUIRE SHARES	WTD. AVG. EXERCISE PRICE	OPTIONS TO ACQUIRE SHARES	WTD. AVG. EXERCISE PRICE
Outstanding as of January 1,	7,966	$ 21	6,661	$ 21
Granted	559	22	1,665	20
Exercised	(747)	17	(209)	15
Forfeited	(803)	20	(151)	20
Expired	--	--	--	--
Outstanding/Wtd. Avg. as of December 31,	6,975	$ 21	7,966	$ 21
Exercisable/Wtd. Avg. as of December 31,	3,127	$ 24	2,630	$ 23

The following table summarizes information about the options outstanding and exercisable at December 31, 2001:

	OPTIONS OUTSTANDING			OPTIONS EXERCIS	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 12/31/01	WTD. AVG. YEARS REMAINING BEFORE EXPIRATION	WTD. AVG. EXERCISE PRICE	NUMBER EXERCISABLE AT 12/31/01	WTD EXERCI
$11 to 19	3,258	7.4 years	$ 16	1,252	$ 1
$19 to 27	2,221	8.3	22	599	2
$27 to 39	1,496	6.1	32	1,276	3
$11 to 39	6,975	7.4 years	$ 21	3,127	$ 2

UNIT PLANS

The Operating Partnership has two unit incentive plans, the 1995 Unit Incentive Plan (the "1995 Unit Plan") and the 1996 Unit Incentive Plan (the "1996 Unit Plan"). The 1995 Unit Plan is designed to reward persons who are not trust managers, officers or 10% shareholders of the Company. An aggregate of 100,000 common shares are reserved for issuance upon the exchange of 50,000 units available for issuance to employees and advisors under the 1995 Unit Plan. As of December 31, 2001, an aggregate of 7,012 units had been distributed under the 1995 Unit Plan. The 1995 Unit Plan does not provide for the grant of options. There was no activity in the 1995 Unit Plan in 2001, 2000 or 1999. The 1996 Unit Plan provides for the grant of options to acquire up to 2,000,000 units. Through December 31, 2001, the Operating Partnership had granted, net of forfeitures, options to acquire 1,778,571 units. Forfeited options are available for grant. The unit options granted under the 1996 Unit Plan were priced at fair market value on the date of grant, generally vest over seven years, and expire ten years from the date of grant. Pursuant to the terms of the unit options granted under the 1996 Unit Plan, because the fair market value of the Company's common shares equaled or exceeded $25 for each of ten consecutive trading days, the vesting of an aggregate of 500,000 units was accelerated and such units became immediately exercisable in 1996. In addition, 100,000 unit options vest 50% after three years and 50% after five years. Under the 1996 Unit Plan, each unit that may be purchased is exchangeable, as a result of shareholder approval in June 1997, for two common shares or, at the option of the Company, an equivalent amount of cash.

A summary of the status of the Company's 1996 Unit Plan as of December 31, 2001, 2000 and 1999, and changes during the years then ended is presented in the table below (assumes each unit is exchanged for two common shares):

1996 UNIT INCENTIVE OPTION PLAN

	2001		2000	
	SHARES UNDERLYING UNIT OPTIONS	WTD. AVG. EXERCISE PRICE PER SHARE	SHARES UNDERLYING UNIT OPTIONS	WTD. AVG. EXERCISE PRI PER SHARE
Outstanding as of January 1,	2,414	$ 17	2,414	$ 17
Granted	--	--	--	--
Exercised	(20)	18	--	--
Forfeited	--	--	--	--
Expired	--	--	--	--
Outstanding/Wtd. Avg. as of December 31,	2,394	$ 17	2,414	$ 17
Exercisable/Wtd. Avg. as of December 31,	1,766	$ 18	1,571	$ 18

Effective March 5, 2001, the Operating Partnership granted options to acquire 150,000 Units to Dennis H. Alberts, in connection with his employment as the Chief Operating Officer of the General Partner and the Company. The 300,000 common share equivalents were priced at $21.84 per share, which equals the fair market value of the Company's common shares at the date of grant.

STOCK OPTION AND UNIT PLANS

The Company applies APB No. 25 in accounting for options granted pursuant to the 1995 Plan, the 1994 Plan and the 1996 Unit Plan (collectively, the "Plans"). Accordingly, no compensation cost has been recognized for the Plans. Had compensation cost for the Plans been determined based on the fair value at the grant dates for awards under the Plans, consistent with SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	FOR THE YEAR ENDED DECEMBER 31,			
	2001		2000	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Basic EPS:				
Net (Loss) Income available to common shareholders	$ (18,160)	$ (23,301)	$ 231,716	$ 226,112
Diluted EPS:				
Net (Loss) Income available to common shareholders	(18,160)	(23,301)	231,716	226,112
Basic (Loss) Earnings per Share	(0.17)	(0.22)	2.05	1.99
Diluted (Loss) Earnings per Share	(0.17)	(0.22)	2.02	1.97

At December 31, 2001, 2000 and 1999, the weighted average fair value of options granted was $2.73, $2.46 and $2.80, respectively. The fair value of each option is estimated at the date of grant using the Black-Scholes option-pricing model using the following expected weighted average assumptions in the calculation.

	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Life of options	10 years	10 years	10 years
Risk-free interest rates	4.4%	8.0%	8.0%
Dividend yields	8.3%	10.0%	12.0%
Stock price volatility	25.7%	26.0%	27.0%

12. SALE OF PREFERRED EQUITY INTERESTS IN SUBSIDIARY:

During the year ended December 31, 2000, the Company formed Funding IX and contributed seven Office Properties and two Resort/Hotel Properties to Funding IX. As of December 31, 2001, Funding IX held seven Office Properties and one Resort/Hotel Property. The Company owns 100% of the common voting interests in Funding IX, 0.1% in the form of a general partner interest and 99.9% in the form of a limited partner interest.

Also, during the year ended December 31, 2000, GMAC Commercial Mortgage Corporation ("GMACCM") purchased $275,000 of non-voting, redeemable preferred

Class A Units in Funding IX (the "Class A Units"). The Class A Units in Funding IX were redeemable at the Company's option at the original purchase price. As of December 31, 2000, the Company had redeemed approximately $56,600 million of the Class A Units in Funding IX from GMACCM and GMACCM held $218,400 of Class A Units. No redemption occurred during the year ended December 31, 2001.

The Class A Units received a preferred variable-rate dividend calculated at LIBOR plus 450 basis points, or approximately 6.6% per annum, as of December 31, 2001, and increasing to LIBOR plus 550 basis points beginning March 15, 2002.

Funding IX loaned the net proceeds of the sale of Class A Units in Funding IX through an intracompany loan to Crescent SH IX, Inc. ("SH IX"), for the purchase of common shares of the Company. See "Share Repurchase Program" below. This intracompany loan is eliminated in consolidation.

13. SHAREHOLDERS' EQUITY:

EMPLOYEE STOCK PURCHASE PLAN

On June 25, 2001, the shareholders of the Company approved a new Employee Stock Purchase Plan (the "ESPP") that is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code ("IRC") of 1986, as amended. The ESPP is regarded as a noncompensatory plan under APB No. 25, because it meets the qualifications under IRC 423. Under the terms of the ESPP, eligible employees may purchase common shares of the Company at a price that is equal to 90% of the lower of the common shares' fair market value at the beginning or the end of a quarterly period. The fair market value of a common share is equal to the last sale price of the common shares on the New York Stock Exchange. Eligible employees may purchase the common shares through payroll deductions of up to 10% of eligible

compensation. The ESPP is not subject to the provisions of ERISA. The ESPP was effective October 1, 2001, and will terminate on May 14, 2011.

The 1,000,000 common shares that may be issued pursuant to the purchase of common shares under the ESPP represent less than 0.96% of the Company's outstanding common shares at December 31, 2001.

FORWARD SHARE PURCHASE AGREEMENT

On August 12, 1997, the Company entered into two transactions with affiliates of the predecessor of UBS AG ("UBS"). In one transaction, the Company sold 4,700,000 common shares to UBS for approximately $148,000 and received approximately $145,000 in net proceeds. In the other transaction, the Company entered into a forward share purchase agreement (the "Forward Share Purchase Agreement") with UBS. The Company had the right to settle the Forward Share Purchase Agreement in cash or common shares. On August 11, 1998, the Company paid a fee of approximately $3,000 to UBS in connection with the exercise by the Company and UBS of the right to extend the term of the Forward Share Purchase Agreement until August 12, 1999.

The Forward Share Purchase Agreement was accounted for under the Emerging Issues Task Force (the "EITF") Issue No. 96-13. The Forward Share Purchase Agreement and the related common stock was accounted for together as an equity instrument, similar to a preferred stock instrument with a cumulative fixed dividend, the forward accretion component or the guaranteed return to UBS was accounted for like a preferred dividend. Additionally, the common shares

actually issued and outstanding were considered in both the basic and diluted weighted-average shares calculations. The diluted EPS calculation also included any contingently issuable common shares.

On June 30, 1999, the Company settled the Forward Share Purchase Agreement with affiliates of the predecessor of UBS. At settlement of the Forward Share Purchase Agreement, the Company made a cash payment of approximately $149,000 (the "Settlement Price") to UBS in exchange for the return by UBS to the Company of 7,299,760 common shares.

The number of common shares returned to the Company is equal to the 4,700,000 common shares originally issued to UBS plus 2,599,760 common shares subsequently issued by the Company, because of a decline in its stock price. The additional shares were issued as collateral for the Company's obligation to purchase 4,700,000 common shares from UBS by August 12, 1999. The Settlement Price was calculated based on the gross proceeds the Company received from the original issuance of 4,700,000 common shares to UBS, plus a forward accretion component equal to 90-day LIBOR plus 75 basis points, minus an adjustment for the Company's distributions paid to UBS. The forward accretion component represented a guaranteed rate of return to UBS.

SHARE REPURCHASE PROGRAM

On October 15, 2001, the Company's Board of Trust Managers authorized an increase in the amount of outstanding common shares that can be repurchased from time to time in the open market or through privately negotiated transactions (the "Share Repurchase Program") from $500,000 to $800,000.

The Company commenced its Share Repurchase Program in March 2000. As of December 31, 2001, the Company had repurchased 18,756,423 common shares, 20,286 of which have been retired, at an average price of $19.09 per common share for an aggregate of approximately $358,115. As of December 31, 2001, the Company held 14,468,623 of the repurchased common shares in SH IX, a wholly-owned subsidiary. The 14,468,623 common shares were repurchased with the net proceeds of the sale of Class A Units in Funding IX and with a portion of the net proceeds from the sale of one of the Properties held by Funding IX. See "Note 12. Sale of Preferred Equity Interests in Subsidiary." These common shares are consolidated as treasury shares in accordance with GAAP.

The Company expects the Share Repurchase Program to continue to be funded through a combination of debt, equity, joint venture capital and selected asset disposition alternatives available to the Company. The amount of common shares that the Company will actually purchase will be determined from time to time, in its reasonable judgment, based on market conditions and the availability of funds, among other factors. There can be no assurance that any number of common shares will actually be purchased within any particular time period.

SHARE REPURCHASE AGREEMENT

On November 19, 1999, the Company entered into an agreement (the "Share Repurchase Agreement") with UBS to purchase a portion of its common shares from UBS. The Company had the option to settle the Share Repurchase Agreement in cash or common shares. During the year ended December 31, 2000, the Company purchased the 5,809,180 common shares from UBS at an average cost of $17.62 per common share for an aggregate of approximately $102,333 under the Share Repurchase Agreement with UBS.

The Share Repurchase Agreement was accounted for under EITF 96-13 and was considered an equity instrument similar to a preferred stock instrument with a cumulative fixed dividend, the forward accretion component or guaranteed return to UBS was accounted for like a preferred dividend. Additionally, the common shares actually issued and outstanding were considered in both the basic and diluted weighted-average shares calculations. The diluted EPS calculation also included any contingently issuable common shares.

The Company has no further obligation under the Share Repurchase Agreement. The purchases were funded primarily through the sale of Class A Units in Funding IX. See "Note 12. Sale of Preferred Equity Interests in Subsidiary."

DISTRIBUTIONS

On October 17, 2001, the Company announced that due to its revised cash flow expectations in the uncertain economic environment and measuring its payout ratios to those of the Company's peer group, the Company was reducing its quarterly distribution from $0.55 per common share, or an annualized distribution of $2.20 per common share, to $0.375 per common share, or an annualized distribution of $1.50 per common share.

The following table summarizes the distributions paid or declared to common shareholders, unitholders and preferred shareholders during the year ended December 31, 2001.

SECURITY	DIVIDEND/ DISTRIBUTION	TOTAL AMOUNT	RECORD DATE	PAYMENT DATE
Common Shares/Units(1)	$ 0.550	$ 74,697(2)	1/31/01	2/15/01
Common Shares/Units(1)	$ 0.550	$ 74,789(2)	4/30/01	5/15/01
Common Shares/Units(1)	$ 0.550	$ 74,986(2)	7/31/01	8/15/01
Common Shares/Units(1)	$ 0.375(3)	$ 49,937(2)	10/31/01	11/15/01
Common Shares/Units(1)	$ 0.375(3)	$ 49,706(2)	1/31/02	2/15/02
6 3/4% Series A Preferred Shares	$ 0.422	$ 3,375	1/31/01	2/15/01
6 3/4% Series A Preferred Shares	$ 0.422	$ 3,375	4/30/01	5/15/01
6 3/4% Series A Preferred Shares	$ 0.422	$ 3,375	7/31/01	8/15/01
6 3/4% Series A Preferred Shares	$ 0.422	$ 3,375	10/31/01	11/15/01
6 3/4% Series A Preferred Shares	$ 0.422	$ 3,375	1/31/02	2/15/02

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(1) Represents one-half the amount of the distribution per unit because each unit is exchangeable for two common shares.

(2) These distribution amounts include $7,958 for each of the distributions paid on February 15, 2001, May 15, 2001, August 15, 2001, and $5,426 for each of the distributions paid on November 15, 2001 and February 15, 2002, which were paid on common shares held by the Company in Crescent SH IX, and which are eliminated in consolidation.

(3) On October 17, 2001, the Company announced a reduction in its quarterly distribution from $0.55 per common share, or an annualized distribution

of $2.20 per common share, to $0.375 per common share, or an annualized distribution of $1.50 per common share.

The distributions to common shareholders and unitholders paid during the year ended December 31, 2000, were $298,547, or $2.20 per common share and equivalent unit. As of December 31, 2000, the Company was holding 14,468,623 of its common shares in Crescent SH IX. The distribution amounts above include $17,313 of distributions for the year ended

December 31, 2000, which were paid for common shares held by the Company, and which are eliminated in consolidation. The distributions to common shareholders and unitholders paid during the year ended December 31, 1999, were $298,125, or $2.20 per common share and equivalent unit.

The distributions to preferred shareholders during the year ended December 31, 2000, were $13,500, or $1.6875 per preferred share.

Common Shares

Following is the income tax status of distributions paid on common shares and equivalent units during the years ended December 31, 2001, and 2000 to common shareholders:

	2001	2000
Ordinary dividend	50.3%	51.5%
Capital gain	--	6.4%
Return of capital	49.7%	35.9%
Unrecaptured Section 1250 gain	--	6.2%

Preferred Shares

Following is the income tax status of distributions paid during the years ended December 31, 2001 and 2000 to preferred shareholders:

	2001	2000
Ordinary dividend	100%	83.7%
Capital gain	--	8.2%
Unrecaptured Section 1250 gain	--	8.1%

14. MINORITY INTEREST:

Minority interest represents (i) the limited partner interests owned by limited partners in the Operating Partnership ("units"), and (ii) joint venture and preferred equity interests held by third parties in other consolidated subsidiaries. Each unit may be exchanged for either two common shares or, at the election of the Company, cash equal to the fair market value of two common shares at the time of the exchange. When a unitholder exchanges a unit, Crescent Equities' percentage interest in the Operating Partnership increases. During the year ended December 31, 2001, there were 401,302 units exchanged for 802,604

common shares of Crescent Equities.

15. RELATED PARTY DISCLOSURES:

DBL HOLDINGS, INC. ("DBL")

As of December 31, 2001, the Company owned 97.44% of DBL with the remaining 2.56% economic interest in DBL (including 100% of the voting interest in DBL) held by John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company. Originally, Mr. Goff contributed his voting interests in MVDC and HADC, originally valued at approximately $380, and approximately $63 in cash, or total consideration valued at approximately $443 for his interest in DBL.

DBL has two wholly owned subsidiaries, DBL-ABC, Inc. and DBL-CBO, Inc., the assets of which are described in the following paragraphs, and DBL directly holds 66% of the voting stock in Mira Vista and HADC. At December 31, 2001, Mr. Goff's interest in DBL was approximately $554.

Since June 1999, the Company contributed approximately $23,800 to DBL. The contribution was used by DBL to make an equity contribution to DBL-ABC, Inc., which committed to purchase a limited partnership interest representing a 12.5% interest in G2 Opportunity Fund, LP ("G2"). G2 was formed for the purpose of investing in commercial mortgage backed securities and other commercial real estate investments and is managed and controlled by an entity that is owned equally by Goff-Moore Strategic Partners, LP ("GMSP") and GMACCM. The ownership structure of GMSP consists of 50% ownership by Darla Moore, who is married to Richard Rainwater, Chairman of the Board of Trust Managers of the

Company and 50% by John Goff. Mr. Rainwater is also a limited partner of GMSP. At December 31, 2001, DBL had an approximately $14,100 investment in G2.

In March 1999, DBL-CBO, Inc. acquired $6,000 aggregate principal amount of Class C-1 Notes issued by Juniper CBO 1999-1 Ltd., a Cayman Island limited liability company. At December 31, 2001 this investment was valued at approximately $5,400.

COPI COLORADO, L. P.

As of December 31, 2001, Crescent Resort Development, Inc. ("CRD") was owned 90% by the Company and the remaining 10%, representing 100% of the voting stock, was owned by COPI Colorado, L. P., of which 60% was owned by COPI, with 20% owned by John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company and 20% owned by a third party.

On February 14, 2002, the Company executed an agreement with COPI, pursuant to which COPI transferred to the Company, in lieu of foreclosure, COPI's 60% general partner interest in COPI Colorado. As a result, the Company indirectly owns a 96% interest in CRD, John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company, owns a 2.0% interest and the remaining 2.0% interest is owned by a third party. The Company will fully consolidate the operations of CRD beginning on the date of the asset transfer.

LOANS TO EMPLOYEES AND TRUST MANAGERS OF THE COMPANY FOR EXERCISE OF STOCK OPTIONS AND UNIT OPTIONS

As of December 31, 2001, the Company had approximately $32,900 of loans

outstanding (including approximately $4,378 loaned during the year ended December 31, 2001) to certain employees and trust managers of the Company on a full recourse basis pursuant to the Company's stock incentive plans and unit incentive plans pursuant to an agreement approved by the Board of Directors and the Executive Compensation Committee of the Company. The proceeds of these loans were used by the employees and the trust managers to acquire common shares of the Company pursuant to the exercise of vested stock and unit options. Pursuant to the loan agreements, these loans may be repaid in full or in part at any time without premium or penalty. John Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company, had a loan representing $26,300 of the $32,900 total outstanding loans at December 31, 2001.

Every month, federal short-term, mid-term and long-term rates (Applicable Federal Rates) are determined and published by the IRS based upon average market yields of specified maturities. Effective November 1, 2001, these loans were amended to reduce the interest rates for their remaining terms to the Applicable Federal Rates. As a result, the interest rates on loans with remaining terms of three years or less at November 1, 2001 were reduced to approximately 2.7% per year and the interest rates on loans with remaining terms greater than three years as of November 1, 2001 were reduced to approximately 4.07% per year. These amended interest rates reflect below prevailing market interest rates; therefore, the Company recorded $750 of compensation expense for the year ended December 31, 2001. Approximately $466 of interest was outstanding related to these loans as of December 31, 2001.

16. COPI:

In April 1997, the Company established a new Delaware corporation, Crescent Operating, Inc. or COPI. All of the outstanding common stock of COPI, valued at $0.99 per share, was distributed, effective June 12, 1997, to those persons who were limited partners of the Operating Partnership or shareholders of the Company on May 30, 1997, in a spin-off.

COPI was formed to become a lessee and operator of various assets to be acquired by the Company and to perform the intercompany agreement between COPI and the Company, pursuant to which each agreed to provide the other with rights to participate in certain transactions. The Company was not permitted to operate or lease these assets under the tax laws, in effect at that time, applicable to REITs. In connection with the formation and capitalization of COPI, and the subsequent operations and investments of COPI since 1997, the Company made loans to COPI under a line of credit and various term loans.

On January 1, 2001, The REIT Modernization Act became effective. This legislation allows the Company, through its subsidiaries, to operate or lease certain of its investments that had been previously operated or leased by COPI.

COPI and the Company entered into an asset and stock purchase agreement on June 28, 2001, in which the Company agreed to acquire the lessee interests in the eight Resort/Hotel Properties leased to subsidiaries of COPI, the voting interests held by subsidiaries of COPI in three of the Company's Residential Development Corporations and other assets in exchange for $78,400. In connection with that agreement, the Company agreed that it would not charge interest on its loans to COPI from May 1, 2001 and that it would allow COPI to defer all principal and interest payments due under the loans until December 31, 2001.

Also on June 28, 2001, the Company entered into an agreement to make a $10,000 investment in Crescent Machinery Company ("Crescent Machinery"), a wholly owned subsidiary of COPI. This investment, together with capital from a

third-party investment firm, was expected to put Crescent Machinery on solid financial footing.

Following the date of the agreements relating to the acquisition of COPI assets and stock and the investment in Crescent Machinery, the results of operations for the COPI hotel operations and the COPI land development interests declined, due in part to the slowdown in the economy after September 11. In addition, Crescent Machinery's results of operations suffered because of the economic environment and the overall reduction in national construction levels that has affected the equipment rental and sale business, particularly post September 11. As a result, the Company believes that a significant additional investment would have been necessary to adequately capitalize Crescent Machinery and satisfy concerns of Crescent Machinery's lenders.

The Company stopped recording rent from the leases of the eight Resort/Hotel Properties leased to subsidiaries of COPI on October 1, 2001, and recorded the following impairment and other adjustments related to COPI in the fourth quarter of 2001, based on the estimated fair value of the underlying collateral.

IMPAIRMENT AND OTHER ADJUSTMENTS RELATED TO COPI

Resort/Hotel Accounts Receivable, net of allowance	$ 33,200
Resort/Hotel Straight-Line Rent	12,700
Notes Receivable and Accrued Interest	71,500
Asset transaction costs	2,800
	$120,200
Less estimated collateral value to be received from COPI:	
Estimated Fair Value of Resort/Hotel FF&E	$ 6,900
Estimated Fair Value of Voting Stock of Residential Development Corporations	$ 38,500
	$ 45,400
Impairment of assets	$ 74,800
Plus Estimated Costs Related to COPI Bankruptcy	18,000
Impairment and other charges related to COPI	$ 92,800

For a description of the COPI assets transferred to subsidiaries of the Company subsequent to December 31, 2001, see "Note 22. Subsequent Events."

17. DISPOSITIONS:

OFFICE SEGMENT

On September 18, 2001, the Company completed the sale of the two Washington Harbour Office Properties. The sale generated net proceeds of approximately $153,000 and a net loss of approximately $9,800. The proceeds from the sale of the Washington Harbour Office Properties were used primarily to pay down variable-rate debt and repurchase approximately 4.3 million of the Company's common shares. The Washington Harbour Office Properties were the Company's only Office Properties in Washington, D.C.

On September 28, 2001, the Woodlands Office Equities - '95 Limited ("WOE"), owned by the Company and the Woodlands CPC, sold two Office Properties

located within The Woodlands, Texas. The sale generated net proceeds of

approximately $11,281, of which the Company's portion was approximately $9,857. The sale generated a net gain of approximately $3,418, of which the Company's portion was approximately $2,987. The proceeds received by the Company were used primarily to pay down variable-rate debt.

On December 20, 2001, WOE sold one Office Property located within The Woodlands, Texas. The sale generated net proceeds of approximately $2,016, of which the Company's portion was approximately $1,761. The sale generated a net gain of approximately $1,688, of which the Company's portion was approximately $1,475. The proceeds received by the Company were used primarily to pay down variable-rate debt.

The following table summarizes the condensed results of operations for the years ended December 31, 2001, 2000 and 1999 for the five Office Properties sold during 2001.

	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Revenue	$16,673	$22,751	$20,683
Operating Expenses	5,998	7,460	6,588
Net Operating Income	$10,675(1)	$15,291	$14,095

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(1) Net operating income for 2001 only includes the period for which the disposition Properties were held during the year.

During the year ended December 31, 2000, the Company completed the sale of 11 wholly-owned Office Properties. The sale of the 11 Office Properties generated approximately $268,233 of net proceeds. The proceeds were used primarily to pay down variable-rate debt. The Company recognized a net gain, which is included in Gain on Property Sales, net, of approximately $35,841 related to the sale of the 11 Office Properties during the year ended December 31, 2000. During the year ended December 31, 1999, the Company recognized an impairment loss of approximately $16,800 on one of the 11 Office Properties sold during the year ended December 31, 2000. The Company also recognized a loss of approximately $5,000, which is included in Gain on Property Sales, net, during the year ended December 31, 2000 on one of the 11 Office Properties sold. The losses represented the differences between the carrying values of the Office Properties and the sales prices less costs of the sales.

During the year ended December 31, 2000, the Woodlands Retail Equities - '96 Limited, owned by the Company and The Woodlands CPC, completed the sale of its retail portfolio, consisting of the Company's four retail properties located in The Woodlands, Texas. The sale generated approximately $42,700 of net proceeds, of which the Company's portion was approximately $32,000. The sale generated a net gain of approximately $6,500, of which the Company's portion was

approximately $4,900. The proceeds received by the Company were used primarily to pay down variable-rate debt. The net operating income for the years ended December 31, 2000 and 1999 for the four retail properties was $15 and $3,792, respectively. Net operating income for the year ended 2000 only includes the periods for which these properties were held during the year.

RESORT/HOTEL SEGMENT

On November 3, 2000, the Company completed the sale of the Four Seasons Hotel - Houston for a sales price of approximately $105,000. The Company used approximately $19,700 of the proceeds to buy out the Property lease with COPI and the asset management contract, and for other transaction costs. The sale generated net proceeds of approximately $85,300. The Company also used approximately $56,600 of the net proceeds to redeem Class A Units in Funding IX, through which the Company owned the Property, from GMACCM. See "Note 12. Sale of Preferred Equity Interests in Subsidiary" for a description of the ownership structure of Funding IX. The sale generated a net gain, which is included in Gain on Property Sales, net, of approximately $28,715. The Company's net operating income for the years ended December 31, 2000 and 1999 for the Four Seasons Hotel - Houston was $8,048 and $9,237, respectively. The operating results of this property are included in operating income for 2000 only for the periods for which this Property was held during the year.

18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

	MARCH 31,	JUNE 30,
Revenues	$ 177,700	$ 189,185
Income before minority interests, extraordinary item and discontinued operations	40,896	34,041
Minority interests	(9,752)	(8,337
Extraordinary item	--	(10,802
Discontinued operations	104	60
Net income available to common shareholders		
- basic	27,873	11,587
- diluted	27,873	11,587
Per share data:		
Basic Earnings Per Common Share		
- Income before extraordinary item and discontinued operations	0.26	0.21
- Extraordinary item	--	(0.10
- Discontinued operations	--	--
- Net income	0.26	0.11
Diluted Earnings Per Common Share		
- Income before extraordinary item and discontinued operations	0.26	0.2
- Extraordinary item	--	(0.10
- Discontinued operations	--	--
- Net income	0.26	0.10

	MARCH 31,	JUNE 30,
Revenues	$ 174,514	$ 173,910
Income before minority interests, extraordinary item, and discontinued operations	61,865	44,409
Minority interests	(7,017)	(8,628
Extraordinary Item	(3,928)	--
Discontinued operations	202	281
Net income available to common shareholders		
- basic	45,671	31,969
- diluted	45,671	31,969
Per share data:		
Basic Earnings Per Common Share		
- Income before extraordinary item and discontinued operations	0.42	0.28
- Extraordinary item	(0.03)	--
- Discontinued operations	--	--
- Net income	0.39	0.28
Diluted Earnings Per Common Share		
- Income before extraordinary item and discontinued operations	0.42	0.27
- Extraordinary item	(0.03)	--
- Discontinued operations	--	--
- Net income	0.39	0.27

19. BEHAVIORAL HEALTHCARE PROPERTIES:

As of December 31, 1999, the behavioral healthcare segment consisted of 88 behavioral healthcare properties in 24 states, all of which were leased to CBHS and its subsidiaries under a triple-net master lease. During the year ended December 31, 1999, the Company received cash rental payments of approximately $35,300 from CBHS, which is included in Interest and Other Income. However, during 1999, CBHS's business was negatively affected by many factors, including adverse industry conditions, and CBHS failed to perform in accordance with its operating budget. In the third quarter of 1999 CBHS was unable to meet its rental obligation to the Company. In the third quarter of 1999, the Company, COPI, Magellan Health Services, Inc. ("Magellan") and CBHS commenced a recapitalization of CBHS. As part of this

recapitalization, the Company commissioned an independent public accounting firm to assist in the evaluation of alternatives related to CBHS, which included an appraisal of the behavioral healthcare properties.

The following financial statement charges were made with respect to the Company's investment in the behavioral healthcare properties in the third quarter of 1999:

- CBHS rent was reflected on a cash basis beginning in the third quarter of 1999 due to the uncertainty that CBHS would be able to fulfill its rental obligations under the lease;
- The Company wrote-off the rent that was deferred according to the CBHS lease agreement from the commencement of the lease in June of 1997 through June 30, 1999. The balance written-off totaled $25,600;
- The Company wrote-down its behavioral healthcare real estate assets by

approximately $103,800 to a book value of $245,000;

- The Company wrote-off Magellan warrants of $12,500;

- The Company recorded approximately $15,000 of additional expense to be used by CBHS as working capital; and

- The Company ceased recording depreciation expense beginning in November of 1999 on the behavioral healthcare properties that were classified as held for disposition.

On February 16, 2000, CBHS and all of its subsidiaries that are subject to the master lease with the Company filed voluntary Chapter 11 bankruptcy petitions in the United States Bankruptcy Court for the District of Delaware.

During the year ended December 31, 2000, payment and treatment of rent for the behavioral healthcare properties was subject to a rent stipulation agreed to by certain of the parties involved in the CBHS bankruptcy proceeding. The Company received approximately $15,400 in rent and interest from CBHS during the year ended December 31, 2000, which is included in Interest and Other Income. The Company also completed the sale of 60 behavioral healthcare properties previously classified as held for disposition during the year ended December 31, 2000 (contained in Net Investment in Real Estate). The sales generated approximately $233,700 in net proceeds and a net gain of approximately $58,600 for the year ended December 31, 2000. The net proceeds from the sale of the 60 behavioral healthcare properties sold during the year ended December 31, 2000 were used primarily to pay down variable-rate debt. During the year ended December 31, 2000, the Company recognized an impairment loss of approximately $9,300 on the behavioral healthcare properties held for disposition, which is included in Impairment and Other Charges Related to Real Estate Assets. This amount represents the difference between the carrying values and the estimated sales prices less the costs of the sales. At December 31, 2000, the carrying value of the 28 behavioral healthcare properties classified as held for disposition was approximately $68,500 (contained in Net Investment in Real Estate). Depreciation has not been recognized since the dates the behavioral healthcare properties were classified as held for sale.

The Company received approximately $6,000 in repayments of a working capital loan from CBHS during the year ended December 31, 2001, which is included in Interest and Other Income. The Company also completed the sale of 18 behavioral healthcare properties previously classified as held for disposition during the year ended December 31, 2001 (contained in Net Investment in Real Estate). The sales generated approximately $34,700 in net proceeds and a net gain of approximately $1,600 for the year ended December 31, 2001. The net proceeds from the sale of the 18 behavioral healthcare properties sold during the year ended December 31, 2001 were used primarily to pay down variable-rate debt.

During the year ended December 31, 2001, the Company recognized an impairment loss of approximately $8,500 on the behavioral healthcare properties held for disposition, which is included in Impairment and Other Charges Related to Real Estate Assets. This amount represents the difference between the carrying values and the estimated sales prices less the costs of the sales. At December 31, 2001, the carrying value of the 10 behavioral healthcare properties classified as held for disposition was approximately $27,900 (contained in Net Investment in Real Estate). Depreciation has not been recognized since the dates the behavioral healthcare properties were classified as held for sale.

20. BROADBAND:

In 2000, the Company made an equity investment in Broadband Office, Inc. ("Broadband"), (a facilities-based provider of broadband data, video and

voice communication services delivered over fiber optic networks), and related entities. In May 2001, Broadband filed for Chapter 11 bankruptcy protection, and the Company's investment in Broadband was approximately $7,200. Yipes Communications Group, Inc. ("Yipes"), another telecom provider, has received approval

from the federal bankruptcy court to acquire certain rights formerly owned by Broadband. In addition, Yipes has executed agreements with nine major real estate entities, including the Company, to assume telecom licensing agreements, in modified formats. As part of this transaction, the Company acquired ownership of certain telecom assets previously owned by Broadband and located within office properties in consideration for conveyance of its equity interest in Broadband to Yipes. These telecom assets were independently appraised and valued in excess of the Company's equity interest in Broadband. As a result, the Company reclassified its investment in Broadband of approximately $7,200 from Other Assets to Building Improvements during the year ended December 31, 2001. Therefore, Broadband's bankruptcy did not have a material effect on the Company's results of operations for the year ended December 31, 2001 or its financial position as of December 31, 2001.

21. SETTLEMENT OF MERGER DISPUTE:

STATION CASINOS, INC. ("STATION")

As of April 14, 1999, the Company and Station entered into a settlement agreement for the mutual settlement and release of all claims between the Company and Station arising out of the agreement and plan of merger between the Company and Station, which the Company terminated in August 1998. As part of the settlement agreement, the Company paid $15,000 to Station on April 22, 1999.

22. SUBSEQUENT EVENTS:

OFFICE PROPERTY DISPOSITIONS

On January 18, 2002, the Company completed the sale of the Cedar Springs Office Property located in Dallas, Texas. The sale generated net proceeds of approximately $12,000 and a net gain of approximately $4,500. The proceeds from the sale of Cedar Springs were used primarily to pay down variable-rate debt.

On August 1, 2002, the Company completed the sale of 6225 North 24th Street Office Property in Phoenix, Arizona. The sale generated net proceeds of approximately $9,000 and a net gain of approximately $1,300. The proceeds from the sale of the 6225 North 24th Street Office Property were used to redeem Class A Units from GMACCM. This Office Property was wholly-owned by the Company and was included in the Company's Office Segment.

COPI

On January 22, 2002, the Company terminated the purchase agreement pursuant to which the Company would have acquired the lessee interests in the eight Resort/Hotel Properties leased to subsidiaries of COPI, the voting interests held by subsidiaries of COPI in three of the Residential Development Corporations and other assets. On February 4, 2002, the Company terminated the agreement relating to its planned investment in Crescent Machinery.

On February 6, 2002, Crescent Machinery filed for protection under the federal bankruptcy laws.

On February 12, 2002, the Company delivered default notices to COPI relating to approximately $49,000 of unpaid rent and approximately $76,200 of principal and accrued interest due to the Company under certain secured loans.

On February 14, 2002, the Company executed an agreement (the "Agreement") with COPI, pursuant to which COPI transferred to subsidiaries of the Company, in lieu of foreclosure, COPI's lessee interests in the eight Resort/Hotel Properties leased to subsidiaries of COPI and, pursuant to a strict foreclosure, COPI's voting interests in three of the Company's Residential Development Corporations and other assets and the Company agreed to assist and provide funding to COPI for the implementation of a prepackaged bankruptcy of COPI. In connection with the transfer, COPI's rent obligations to the Company were reduced by $23,600, and its debt obligations were reduced by $40,100. These amounts include $18,300 of value attributed to the lessee interests transferred by COPI to the Company; however, in accordance with GAAP, the Company assigned no value to these interests for financial reporting purposes.

The Company holds the lessee interests in the eight Resort/Hotel Properties and the voting interests in the three Residential Development Corporations through three newly organized limited liability companies that are wholly owned taxable REIT subsidiaries of the Company. The Company will include these assets in its Resort/Hotel Segment and its

Residential Development Segment, and will fully consolidate the operations of the eight Resort/Hotel Properties and the three Residential Development Corporations, beginning on the date of the transfers of these assets.

The Agreement provides that the Company and COPI will jointly seek to have a pre-packaged bankruptcy plan for COPI, reflecting the terms of the Agreement, approved by the bankruptcy court. Under the Agreement, the Company agreed to provide approximately $14,000 to COPI in the form of cash and common shares of the Company to fund costs, claims and expenses relating to the bankruptcy and related transactions, and to provide for the distribution of the Company's common shares to the COPI stockholders. The Company has also agreed, however, that it will issue common shares with a minimum dollar value of approximately $2,200 to the COPI stockholders, even if it would cause the total costs, claims and expenses that it pays to exceed $14,000. Currently, the Company estimates that the value of the common shares that will be issued to the COPI stockholders will be approximately $2,200 to $5,400. The actual value of the common shares issued to the COPI stockholders will not be determined until the confirmation of COPI's bankruptcy plan and could vary from the estimated amounts, but will have a value of at least $2,200.

In addition, the Company has agreed to use commercially reasonable efforts to assist COPI in arranging COPI's repayment of its $15,000 obligation to Bank of America, together with any accrued interest. COPI obtained the loan primarily to participate in investments with the Company. At the time COPI obtained the loan, Bank of America required, as a condition to making the loan, that Richard E. Rainwater, the Chairman of the Board of Trust Managers of the Company, and John C. Goff, Vice-Chairman of the Board of Trust Managers and Chief Executive Officer of the Company, enter into a support agreement with COPI and Bank of America, pursuant to which they agreed to make additional equity investments in COPI if COPI defaulted on payment obligations under its line of credit with Bank of America and the net proceeds of an offering of COPI securities were insufficient to allow COPI to pay Bank of America in full. Effective December 31, 2001, the parties executed an amendment to the line of credit providing that any defaults existing under the line of credit on or

before March 8, 2002 are temporarily cured unless and until a new default shall occur.

Previously, the Company held a first lien security interest in COPI's entire membership interest in Americold Logistics. REIT rules prohibit the Company from acquiring or owning the membership interest that COPI owns in Americold Logistics. Under the Agreement, the Company agreed to allow COPI to grant Bank of America a first priority security interest in the membership interest and to subordinate its own security interest to Bank of America. In addition, the Company expects to form and capitalize a separate entity to be owned by the Company's shareholders and unitholders, and to cause the new entity to commit to acquire COPI's entire membership interest in the tenant for between $15,000 and $15,500. Under the Agreement, COPI has agreed that it will use the proceeds of the sale of the membership interest to repay Bank of America in full.

If the COPI bankruptcy plan is approved by the required vote of the shares of COPI common stock, the stockholders of COPI will receive the Company's common shares. As stockholders of COPI, Mr. Rainwater and Mr. Goff will also receive the Company's common shares.

Pursuant to the COPI bankruptcy plan, the current and former directors and officers of COPI and the current and former trust managers and officers of the Company also have received a release from COPI of liability for any actions taken prior to February 14, 2002, and, depending on various factors, will receive certain liability releases from COPI and its stockholders.

Completion and effectiveness of the plan of reorganization for COPI is contingent upon a number of conditions, including the vote of COPI's stockholders, the approval of the plan by certain of COPI's creditors and the approval of the bankruptcy court.

The following Unaudited Condensed Consolidated Pro Forma Financial Statements are based upon the historical financial statements of the Company and of the assets being transferred to the Company from COPI under the Agreement. The Unaudited Condensed Consolidated Pro Forma Balance Sheet as of December 31, 2001 is presented as if principal transactions contemplated by the Agreement had been completed as of December 31, 2001. The Unaudited Condensed Consolidated Pro Forma Statements of Operations for the years ended December 31, 2001 and 2000 are presented as if these transactions had occurred on January 1, 2001 and January 1, 2000, respectively.

The Unaudited Condensed Consolidated Pro Forma Financial Statements have been prepared based on a number of assumptions, estimates and uncertainties including, but not limited to, estimates of the fair values of assets received and

liabilities assumed and estimated transaction costs. As a result of these assumptions, estimates and uncertainties, the accompanying Unaudited Condensed Consolidated Pro Forma Financial Statements do not purport to predict the actual financial condition had the principal transactions contemplated by the Agreement been completed as of December 31, 2001 or results of operations that would have been achieved had the principal transactions contemplated by the Agreement been completed on January 1, 2001 or January 1, 2000.

UNAUDITED CONDENSED CONSOLIDATED PRO FORMA BALANCE SHEET

	AS OF DECEMBER 31, 2001
Real estate, net	$ 3,362,342
Cash	191,128
Other assets	1,011,741
Total assets	$ 4,565,211
Notes payable	$ 2,396,290
Other liabilities	442,467
Minority interests	353,012
Total shareholders' equity	1,373,442
Total liabilities and shareholders' equity	$ 4,565,211

UNAUDITED CONDENSED CONSOLIDATED PRO FORMA STATEMENTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31,	
	2001	2000
Total revenues	$ 1,148,828	$ 1,209,881
Total expenses	1,162,390	1,092,726
Operating Income	(13,562)	117,155
Total other income and expense	53,161	203,874
Income before minority interests, income taxes and extraordinary item	$ 39,599	$ 321,029
Income before extraordinary item and cumulative effect of change in accounting principle	$ 2,147	$ 249,871
Basic Earnings per share(1)	$ 0.02	$ 2.20
Diluted Earnings per share(1)	$ 0.02	$ 2.18

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(1) Represents earnings per share for income before extraordinary item and cumulative effect of change in accounting principle.

The Unaudited Condensed Consolidated Pro Forma Balance Sheet combines the Company's consolidated historical balance sheet for the year ended December 31, 2001 with the following adjustments:

- Reflects the inclusion of the assets and liabilities of the eight Hotel/Resort Properties as of December 31, 2001;
- Eliminates the eight Hotel/Resort Properties' initial working capital receivable on the Company's balance sheet with the offsetting net working capital payable;

- Adjusts the historical balance sheet to consolidate the balance sheets of Desert Mountain Development Corporation ("DMDC"), The Woodlands Land Company ("TWLC"), other entities and COPI Colorado (which,

as the owner of 100% of the voting stock of CRD, consolidates the balance of CRD), as a result of the Company's retention of voting stock of DMDC, TWLC and other entities, and the Company's retention of the 60% general partnership interest in COPI Colorado;

- Eliminates the Company's equity investment in the historical December 31, 2001 balance sheet for DMDC, TWLC, CRD and other entities;

- Eliminates the intercompany loans and associated accrued interest and capitalized interest between the Company and DMDC, CRD and other entities;

- Reflects the Company's capitalization of a new entity to be owned by shareholders that will be committed to acquire COPI's membership interest in AmeriCold Logistics; and

- Reflects the issuance of $5,000 of the Company's shares to COPI stockholders.

The Unaudited Condensed Consolidated Pro Forma Statements of Operations combine the Company's consolidated historical statements of operations for the years ended December 31, 2001 and 2000 with the following adjustments:

- Includes the operating results for the eight Hotel/Resort Properties after deducting the amount of the lessee rent payments due under the respective leases;

- Eliminates hotel lessees' rent expense to the Company and the Company's rental revenue from the hotel lessees;

- Reflects the consolidation of the operations of DMDC, TWLC, other entities and COPI Colorado with the Company's historical Statements of Operations, as a result of the Company's retention of voting stock for DMDC, TWLC and other entities, and the Company's retention of the 60% general partnership interest in COPI Colorado;

- Eliminates the Company's historical equity in net income for DMDC, TWLC, CRD and other entities;

- Eliminates intercompany interest expense on the loans from the Company to DMDC and CRD;

- Reflects income tax benefit for the hotel business, calculated as 40% of the net loss for the hotel lessees;

- Reflects the additional shares issued to COPI shareholders, valued at $5,000, using the Company's current share price of $17.91; and

- The December 31, 2001, Unaudited Condensed Consolidated Pro Forma Statement of Operations includes impairment and other charges related to COPI assets of $92,782 contained in the Company's 2001 Consolidated Statement of Operations.

DEBT OFFERING

On April 15, 2002, the Company completed a private offering of $375,000 in senior, unsecured notes due 2009. The notes bear interest at an annual rate of 9.25% and were issued 100% of issue price. The notes are callable after April 15, 2006. Interest will be payable in cash on April 15, and October 15 of each year, beginning October 15, 2002. In connection with the offering, on September 13, 2002, the Company commenced an exchange offer of $325,000 of its registered 9.25% senior notes due 2009 for outstanding senior notes due 2009. The offer expires October 11, 2002. In the event that the exchange offer or resale registration is not completed on or before October 15, 2002, the interest rate on the notes will increase to 9.75% and increase to 10.25% after another 90 days, in each case until the exchange offer or resale registration is completed.

The net proceeds from the offering of notes were approximately $366,500. Approximately $309,500 of the proceeds were used to pay down amounts outstanding under the Fleet Facility, and the remaining proceeds were used to pay down $5,000 of short-term indebtedness and redeem approximately $52,000 of Class A Units in Funding IX from GMACCM. See "Note 12. Sale of Preferred Equity Interests in Subsidiary" for a description of the Class A Units in Funding IX held by GMACCM. In that offering the Company also issued, in addition to the 2009 private notes and on the same terms and conditions, an additional $50,000 of the Company's 9.25% senior unsecured notes due 2009 to Richard E. Rainwater, the Chairman of the Board of Trust Managers of the Company, and certain of his affiliates and family members. The exchange offer is not being made with respect to the affiliate notes. The Company has agreed to register the resale of the affiliate notes.

SERIES A PREFERRED OFFERING

On April 26, 2002, the Company completed an institutional placement (the "April 2002 Series A Preferred Offering") of an additional 2,800,000 shares of Series A Convertible Cumulative Preferred Shares (the "Series A Preferred Shares") at an $18.00 per share price and with a liquidation preference of $25.00 per share for aggregate total

offering proceeds of approximately $50,400. The Series A Preferred Shares are convertible at any time, in whole or in part, at the option of the holders thereof into common shares of the Company at a conversion price of $40.86 per common share (equivalent to a conversion rate of .6119 common shares per Series A Preferred Share), subject to adjustment in certain circumstances. The Series A Preferred Shares have no stated maturity, are not subject to sinking fund or mandatory redemption and may not be redeemed before February 18, 2003, except in order to preserve the Company's status as a REIT. On or after February 13, 2003, the Series A Preferred shares may be redeemed, at the Company's option, by paying $25.00 per share plus any accumulated accrued and unpaid distribution. Dividends on the Series A Preferred shares are cumulative from the date of original issuance and are payable quarterly in arrears on the fifteenth of February, May, August and November, commencing May 15, 2002. The annual fixed dividend is $1.6875 per share.

Net proceeds to the Company from the April 2002 Series A Preferred Offering after underwriting discounts and other offering costs of approximately $2,240 were approximately $48,160. The Company used the net proceeds to redeem

Class A Units issued by its subsidiary, Funding IX, to GMACCM.

SERIES B PREFERRED OFFERING

On May 17, 2002, the Company completed an offering (the "May 2002 Series B Preferred Offering") of 3,000,000 shares of 9.50% Series B Cumulative Redeemable Preferred Shares (the "Series B Preferred Shares") with a liquidation preference of $25.00 per share for aggregate total offering proceeds of approximately $75,000. The Series B Preferred Shares have no stated maturity, are not subject to sinking fund or mandatory redemption, are not convertible into any other securities of the Company and may not be redeemed before May 17, 2007, except in order to preserve the Company's status as a REIT. On or after May 17, 2007, the Series B Preferred Shares may be redeemed, at the Company's option, by paying $25.00 per share plus any accumulated, accrued and unpaid distribution. Dividends on the Series B Preferred Shares are cumulative from the date of original issuance and are payable quarterly in arrears on the fifteenth of February, May, August and November, commencing August 15, 2002. The annual fixed dividend is $2.375 per share.

Net proceeds to the Company from the May 2002 Series B Preferred Offering after underwriting discounts and other offering costs of approximately $2,713 were approximately $72,287. The Company used the net proceeds to redeem Class A Units issued by its subsidiary, Funding IX, to GMACCM.

On June 6, 2002, the Company completed the June 2002 Series B Preferred Offering of an additional 400,000 Series B Preferred Shares (the "June 2002 Series B Preferred Offering") resulting in gross proceeds to the Company of approximately $10,000. Net proceeds to the Company after underwriting discounts and other offering costs of approximately $365 were approximately $9,635. As with the May 2002 Series B Preferred Offering, the Company used the net proceeds to redeem Class A Units issued by its subsidiary, Funding IX, to GMACCM.

RELATED PARTY DISCLOSURES

On June 28, 2002, the Company purchased and is holding for sale, the home of an executive officer of the Company for approximately $2,650 which approximates fair market value of the home. This purchase was part of the officer's relocation agreement with the Company.

LOANS TO EMPLOYEES AND TRUST MANAGERS OF THE COMPANY FOR EXERCISE OF STOCK OPTIONS AND UNIT OPTIONS

On July 29, 2002, the loans made pursuant to the Company's stock incentive plans and unit incentive plans were amended to extend the remaining terms of the loans until July 2012 and to stipulate that every three years the interest rate on the loans will be adjusted to the AFR applicable at that time for a three-year loan. Additionally, the employees and trust managers have been given the option, at any time, to fix the interest rate for each of the loans to the AFR applicable at that time for a loan with a term equal to the remaining term of the loan. The Company estimates that the one-time compensation expense related to these amendments to the loans is approximately $1,800. Effective July 29, 2002, the Company will no longer make available to its employees and trust managers loans pursuant to the Company's stock and unit incentive plans.

THREE WESTLAKE PARK

On August 21, 2002, the Company entered into a joint venture arrangement with an affiliate of GE. In connection with the formation of the venture, the Company contributed an Office Property, Three Westlake Park in Houston, Texas, and

GE made a cash contribution. GE holds an 80% equity interest in Three Westlake Park, a 415,000 square foot Class A Office Property located in the Katy Freeway submarket of Houston, and the Company continues to hold the remaining 20% equity interest in the Office Property, with the Company's interest accounted for under the equity method. The joint venture generated approximately $47,100 in net cash proceeds to the Company, including distributions resulting from the sale of the Company's 80% equity interest and from $33,000 of third party mortgage financing at the joint venture level. None of the mortgage financing at the joint venture level is guaranteed by either the Company or GE. The Company has no commitment to reinvest the cash proceeds back into the joint venture. The joint venture formation transactions were accounted for as a partial sale of this Office Property, resulting in an approximate $17,100 gain, on interest sold. The Company will continue to manage and lease Three Westlake Park on a fee basis.

REDEMPTION OF PREFERRED UNITS FROM GMACCM

On August 29, 2002, Funding IX used approximately $22,700 to redeem from GMACCM all the Class A Units in Funding IX that remained outstanding on that date. As a result of the redemption, GMACCM ceased to be a partner of Funding IX or to have any rights or obligations as a partner and the Company became the sole partner of Funding IX. In connection with the transaction, SH IX transferred the 14,468,623 common shares of the Company held by SH IX to the Company, which holds these common shares as treasury shares and the intracompany loan between Funding IX and SH IX was repaid.

Following the redemption of all of the outstanding Class A Units, Funding IX distributed two of its Office Properties, 44 Cook Street, and 55 Madison, and all the equity interests in the limited liability companies that own two other Office Properties, Miami Center and Chancellor Park, to the Operating Partnership. The Operating Partnership then contributed 44 Cook Street and 55 Madison to another of the Operating Partnership's subsidiaries, Crescent Real Estate Funding VIII, L.P.

PROPERTY ACQUISITION

On August 29, 2002, the Company acquired John Manville Plaza, a 29-story, 675,000 square foot Class A office building located in Denver, Colorado. The Company acquired the property for approximately $91,200. The property is wholly-owned by the Company and included in the office segment.

SONOMA MISSION INN & SPA

On September 1, 2002, the Company entered into a joint venture arrangement with a subsidiary of Fairmont Hotels & Resorts Inc., or ("FHR"), pursuant to which the Company contributed a Resort/Hotel property and FHR purchased a 19.9% equity interest in the limited liability company that owns the Company's Sonoma Mission Inn & Spa Resort/Hotel Property in Sonoma County, California. The Company continues to own the remaining 80.1% interest. The joint venture generated approximately $8,000 in net cash proceeds to the Company. The Company has loaned $45,120 to the joint venture at an interest rate of LIBOR plus 300 basis points. The maturity date of the loan is the earlier of the date on which the joint venture obtains third-party financing or one year. The joint venture has the option to extend the loan for two successive 6-month periods by paying a fee. Under the Company's agreement with FHR, the Company will manage the limited liability company that owns the Sonoma Mission Inn & Spa, and FHR will operate and manage the property under the Fairmont brand. The joint venture transaction was accounted for as a partial sale of this Resort/Hotel Property, resulting in an approximate $4,000 loss, on interest sold.

SCHEDULE III

CRESCENT REAL ESTATE EQUITIES COMPANY
CONSOLIDATED REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2001
(dollars in thousands)

Description	Initial Costs		Costs Capitalized Subsequent to Acquisitions	Impa to C Va
	Land	Buildings and Improvements	Land, Buildings, Improvements, Furniture, Fixtures and Equipment	Bui Impro Furn Fixtu Equ
The Citadel, Denver, CO	$ 1,803	$ 17,259	$ 4,782	$
Las Colinas Plaza, Irving, TX	2,576	7,125	1,965	
Carter Burgess Plaza, Fort Worth, TX	1,375	66,649	39,131	
The Crescent Office Towers, Dallas, TX	6,723	153,383	83,870	
MacArthur Center I & II, Irving, TX	704	17,247	5,007	
125. E. John Carpenter Freeway, Irving, TX	2,200	48,744	2,903	
Regency Plaza One, Denver, CO	950	31,797	2,664	
The Avallon, Austin, TX	475	11,207	723	
Waterside Commons, Irving, TX	3,650	20,135	7,445	
Two Renaissance Square, Phoenix, AZ	--	54,412	10,290	
Liberty Plaza I & II, Dallas, TX	1,650	15,956	538	
6225 North 24th Street, Phoenix, AZ(2)	719	6,566	3,433	
Denver Marriott City Center, Denver, CO	--	50,364	6,981	
MCI Tower, Denver, CO	--	56,593	3,267	
Spectrum Center, Dallas, TX	2,000	41,096	8,009	
Ptarmigan Place, Denver, CO	3,145	28,815	5,437	
Stanford Corporate Centre, Dallas, TX	--	16,493	6,507	
Barton Oaks Plaza One, Austin, TX	900	8,207	2,032	
The Aberdeen, Dallas, TX	850	25,895	409	
12404 Park Central, Dallas, TX	1,604	14,504	4,933	
Briargate Office and			0	
Research Center, Colorado Springs, CO	2,000	18,044	1,603	
Hyatt Regency Beaver Creek, Avon, CO	10,882	40,789	19,698	
Albuquerque Plaza, Albuquerque, NM	--	36,667	2,689	
Hyatt Regency Albuquerque, Albuquerque, NM	--	32,241	4,840	
The Woodlands Office Properties, Houston, TX(2)(3)	12,007	35,856	(12,417)	
Sonoma Mission Inn & Spa, Sonoma, CA	10,000	44,922	36,444	
Bank One Tower, Austin, TX(4)	3,879	35,431	(39,310)	

Description	Total	Accumulated Depreciation	Date of Construction	Acq

The Citadel, Denver, CO	$ 23,844	$ (15,092)	1987
Las Colinas Plaza, Irving, TX	11,666	(4,739)	1989
Carter Burgess Plaza, Fort Worth, TX	107,155	(47,594)	1982
The Crescent Office Towers, Dallas, TX	243,976	(159,434)	1985
MacArthur Center I & II, Irving, TX	22,958	(8,354)	1982/1986
125. E. John Carpenter Freeway, Irving, TX	53,847	(10,614)	1982
Regency Plaza One, Denver, CO	35,411	(7,139)	1985
The Avallon, Austin, TX	12,405	(2,125)	1986
Waterside Commons, Irving, TX	31,230	(5,193)	1986
Two Renaissance Square, Phoenix, AZ	64,702	(14,627)	1990
Liberty Plaza I & II, Dallas, TX	18,144	(3,173)	1981/1986
6225 North 24th Street, Phoenix, AZ(2)	10,718	(2,891)	1981
Denver Marriott City Center, Denver, CO	57,345	(13,117)	1982
MCI Tower, Denver, CO	59,860	(9,457)	1982
Spectrum Center, Dallas, TX	51,105	(11,103)	1983
Ptarmigan Place, Denver, CO	37,397	(8,294)	1984
Stanford Corporate Centre, Dallas, TX	23,000	(4,807)	1985
Barton Oaks Plaza One, Austin, TX	11,139	(2,343)	1986
The Aberdeen, Dallas, TX	27,154	(6,357)	1986
12404 Park Central, Dallas, TX	21,041	(4,043)	1987
Briargate Office and	--	--	
Research Center, Colorado Springs, CO	21,647	(3,655)	1988
Hyatt Regency Beaver Creek, Avon, CO	71,369	(10,104)	1989
Albuquerque Plaza, Albuquerque, NM	39,356	(6,271)	1990
Hyatt Regency Albuquerque, Albuquerque, NM	37,081	(8,041)	1990
The Woodlands Office Properties, Houston, TX(2)(3)	35,455	(8,813)	1980-1993
Sonoma Mission Inn & Spa, Sonoma, CA	91,366	(10,734)	1927
Bank One Tower, Austin, TX(4)	--	--	1974

SCHEDULE III

		Initial Costs	Costs Capitalized Subsequent to Acquisitions	Impa to C Va
Description	Land	Buildings and Improvements	Land, Buildings, Improvements, Furniture, Fixtures and Equipment	Bui Impro Furn Fixtu Equ
Canyon Ranch, Tucson, AZ	$ 14,500	$ 43,038	$ 5,842	$
3333 Lee Parkway, Dallas, TX	1,450	13,177	3,881	
Greenway I & IA, Richardson, TX	1,701	15,312	523	
Three Westlake Park, Houston, TX	2,920	26,512	3,114	
Frost Bank Plaza, Austin, TX	--	36,019	5,427	
301 Congress Avenue, Austin, TX	2,000	41,735	7,716	
Chancellor Park, San Diego, CA	8,028	23,430	(5,202)	
Canyon Ranch, Lenox, MA	4,200	25,218	12,941	
Greenway Plaza Office Portfolio, Houston, TX	27,204	184,765	105,498	
The Woodlands Office Properties, Houston, TX	2,393	8,523	--	
1800 West Loop South, Houston, TX	4,165	40,857	2,945	
55 Madison, Denver, CO	1,451	13,253	1,325	

Miami Center, Miami, FL	13,145	118,763	7,726
44 Cook, Denver, CO	1,451	13,253	2,516
Trammell Crow Center, Dallas, TX	25,029	137,320	13,596
Greenway II, Richardson, TX	1,823	16,421	1,105
Fountain Place, Dallas, TX	10,364	103,212	8,825
Behavioral Healthcare Facilities(2)(5)	89,000	301,269	(235,137)
Houston Center, Houston, TX	52,504	224,041	15,366
Ventana Country Inn, Big Sur, CA	2,782	26,744	3,941
5050 Quorum, Dallas, TX	898	8,243	846
Addison Tower, Dallas, TX	830	7,701	663
Cedar Springs Plaza, Dallas, TX(2)	700	6,549	1,281
Palisades Central I, Dallas, TX	1,300	11,797	1,513
Palisades Central II, Dallas, TX	2,100	19,176	5,803
Reverchon Plaza, Dallas, TX	2,850	26,302	2,198
Stemmons Place, Dallas, TX	--	37,537	3,686
The Addison, Dallas, TX	1,990	17,998	790
Sonoma Golf Course, Sonoma, CA	14,956	--	2,139
Austin Centre, Austin, TX	1,494	36,475	2,675
Omni Austin Hotel, Austin, TX	2,409	56,670	3,280
Washington Harbour, Washington, D.C.(6)	16,100	146,438	(162,538)
Four Westlake Park, Houston, TX(4)	3,910	79,190	(79,190)
Post Oak Central, Houston, TX	15,525	139,777	8,492
Datran Center, Miami, FL	--	71,091	3,528

Description	Total	Accumulated Depreciation	Date of Construction	Acq
Canyon Ranch, Tucson, AZ	$ 63,380	$ (6,626)	1980	
3333 Lee Parkway, Dallas, TX	18,508	(3,330)	1983	
Greenway I & IA, Richardson, TX	17,536	(2,045)	1983	
Three Westlake Park, Houston, TX	32,546	(3,765)	1983	
Frost Bank Plaza, Austin, TX	41,446	(6,590)	1984	
301 Congress Avenue, Austin, TX	51,451	(8,701)	1986	
Chancellor Park, San Diego, CA	26,256	(3,542)	1988	
Canyon Ranch, Lenox, MA	42,359	(7,317)	1989	
Greenway Plaza Office Portfolio, Houston, TX	317,467	(52,175)	1969-1982	
The Woodlands Office Properties, Houston, TX	10,916	(1,805)	1995-1996	
1800 West Loop South, Houston, TX	47,967	(4,966)	1982	
55 Madison, Denver, CO	16,029	(2,229)	1982	
Miami Center, Miami, FL	139,634	(13,615)	1983	
44 Cook, Denver, CO	17,220	(2,723)	1984	
Trammell Crow Center, Dallas, TX	175,945	(20,323)	1984	
Greenway II, Richardson, TX	19,349	(2,074)	1985	
Fountain Place, Dallas, TX	122,401	(12,580)	1986	
Behavioral Healthcare Facilities(2)(5)	32,930	(4,995)	1850-1992	
Houston Center, Houston, TX	291,911	(28,034)	1974-1983	
Ventana Country Inn, Big Sur, CA	33,467	(4,270)	1975-1988	
5050 Quorum, Dallas, TX	9,987	(1,202)	1980/1986	
Addison Tower, Dallas, TX	9,194	(1,184)	1980/1986	
Cedar Springs Plaza, Dallas, TX(2)	8,530	(1,309)	1980/1986	
Palisades Central I, Dallas, TX	14,610	(1,916)	1980/1986	
Palisades Central II, Dallas, TX	27,079	(3,532)	1980/1986	
Reverchon Plaza, Dallas, TX	31,350	(3,760)	1980/1986	
Stemmons Place, Dallas, TX	41,223	(5,486)	1980/1986	
The Addison, Dallas, TX	20,778	(2,215)	1980/1986	
Sonoma Golf Course, Sonoma, CA	17,095	(1,063)	1929	
Austin Centre, Austin, TX	40,644	(4,195)	1986	

Omni Austin Hotel, Austin, TX	62,359	(8,618)	1986
Washington Harbour, Washington, D.C.(6)	--	--	1986
Four Westlake Park, Houston, TX(4)	3,910	--	1992
Post Oak Central, Houston, TX	163,794	(14,478)	1974-1981
Datran Center, Miami, FL	74,619	(6,940)	1986-1992

SCHEDULE III

Description	Initial Costs		Costs Capitalized Subsequent to Acquisitions	Imp to V
	Land	Buildings and Improvements	Land, Buildings, Improvements, Furniture, Fixtures and Equipment	Bu Impr Fur Fixt Eq
Avallon Phase II, Austin, TX	$ 1,102	$ --	$ 23,365	$
Plaza Park Garage	2,032	14,125	570	
Washington Harbour Phase II, Washington, D.C.(2)	15,279	411	283	
5 Houston Center, Houston, TX	7,598	--	(7,598)	
Houston Center Land, Houston, TX	14,642	--	22	
Crescent Real Estate Equities L.P.	--	--	29,648	
Other	23,270	2,874	17,059	
Land held for development or sale, Dallas, TX	27,288	--	(7,474)	
Subtotal	$492,475	$ 3,031,622	$ 26,862	$
Properties held for disposition, net(7)	(107,822)	(320,142)	230,140	
	$384,653	$ 2,711,480	$ 257,002	$

Description	Total	Accumulated Depreciation	Date of Construction	Acq
Avallon Phase II, Austin, TX	$ 24,467	$ (2,055)	1997	
Plaza Park Garage	16,727	(1,020)	1998	
Washington Harbour Phase II, Washington, D.C.(2)	15,973	--	1998	
5 Houston Center, Houston, TX	--	--	--	
Houston Center Land, Houston, TX	14,664	(18)	--	
Crescent Real Estate Equities L.P.	29,648	(9,202)	--	
Other	43,201	(822)	--	
Land held for development or sale, Dallas, TX	19,814	--	--	
Subtotal	$3,428,757	$ (648,834)		
Properties held for disposition, net(7)	(75,624)	10,930		
	$3,417,827	$ (637,904)		

(1) Depreciation of the real estate assets is calculated over the following estimated useful lives using the straight-line method:

Building and improvements	5 to 40 years
Tenant improvements	Terms of leases
Furniture, fixtures, and equipment	3 to 5 years

(2) The carrying values of the assets held for disposition at December 31, 2001, have been reflected as "Properties held for Disposition, Net."

(3) During the year ended December 31, 2001, The Woodlands Office Equities - '95 Limited, owned by the Company and the Woodlands Commercial Properties Company, L.P., sold three of The Woodlands Office Properties.

(4) On July 30, 2001, the Company entered into joint venture arrangements with GE for these Office Properties. The gross amount at which land is carried for Four Westlake Park includes $3,910 of land, which was not joint ventured.

(5) Depreciation on behavioral healthcare properties held for sale ceased from 11/11/99 through 12/31/01 (the period over which these properties were held for sale).

(6) These Office Properties were sold on September 18, 2001.

(7) See Note 2 of Item 8. Financial Statements and Supplementary Data.

A summary of combined real estate investments and accumulated depreciation is as follows:

	2001	2000	1999
Real estate investments:			
Balance, beginning of year	$ 3,681,601	$ 4,087,347	$ 4,122,06
Acquisitions	--	22,170	-
Improvements	98,946	108,950	95,21
Dispositions	(352,646)	(526,430)	(8,43
Reclassification for properties held for desposition(1)	(1,616)	(1,087)	(92
Impairments	(8,458)	(9,349)	(120,57
Balance, end of year	$ 3,417,827	$ 3,681,601	$ 4,087,34
Accumulated Depreciation:			
Balance, beginning of year	$ 555,491	$ 499,293	$ 380,15
Depreciation	111,086	123,839	120,74
Reclassification for properties held for desposition(1)	(1,616)	(1,087)	(92
Dispositions	(27,057)	(66,554)	(68
Balance, end of year	$ 637,904	$ 555,491	$ 499,29

(1) See Note 2 of Item 8. Financial Statements and Supplementary Data.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

Reports of Independent Auditors

Crescent Real Estate Equities Company Consolidated Balance Sheets at December 31, 2001 and 2000.

Crescent Real Estate Equities Company Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999.

Crescent Real Estate Equities Company Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999.

Crescent Real Estate Equities Company Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999.

Crescent Real Estate Equities Company Notes to Financial Statements.

(a)(2) Financial Statement Schedules

Schedule III - Crescent Real Estate Equities Company Consolidated Real Estate Investments and Accumulated Depreciation at December 31, 2001.

All other schedules have been omitted either because they are not applicable or because the required information has been disclosed in the Financial Statements and related notes included in the consolidated statements.

(a)(3) Exhibits

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
3.01	Restated Declaration of Trust of Crescent Real Estate Equities Company, as amended (filed as Exhibit No. 3.01 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference)
3.02	Amended and Restated Bylaws of Crescent Real Estate Equities Company, as amended (filed as Exhibit No. 3.02 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 and incorporated herein by reference)
4.01	Form of Common Share Certificate (filed as Exhibit No. 4.03 to the Registrant's Registration Statement on Form S-3 (File No. 333-21905) and incorporated

	herein by reference)
4.02	Statement of Designation of 6-3/4% Series A Convertible Cumulative Preferred Shares of Crescent Real Estate Equities Company (filed as Exhibit No. 4.07 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "1997 10-K") and incorporated herein by reference)
4.03	Form of Certificate of 6-3/4% Series A Convertible Cumulative Preferred Shares of Crescent Real Estate Equities Company (filed as Exhibit No. 4 to the Registrant's Registration Statement on Form 8-A/A filed on February 18, 1998 and incorporated herein by reference)
4.04	Indenture, dated as of September 22, 1997, between Crescent Real Estate Equities Limited Partnership and State Street Bank and Trust Company of Missouri, N.A. (filed as Exhibit No. 4.01 to the Registration Statement on Form S-4 (File No. 333-42293) of Crescent Real Estate Equities Limited Partnership (the "Form S-4") and incorporated herein by reference)
4.05	6-5/8% Note due 2002 (filed as Exhibit No. 4.07 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (the "1998 2Q 10-Q") and incorporated herein by reference)
4.06	7-1/8% Note due 2007 (filed as Exhibit No. 4.08 to the 1998 2Q 10-Q and incorporated herein by reference)
4	Pursuant to Regulation S-K Item 601 (b) (4) (iii), the Registrant by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Registrant
10.01	Second Amended and Restated Agreement of Limited Partnership of Crescent Real Estate Equities Limited Partnership, dated as of November 1, 1997, as amended (filed as Exhibit No. 10.01 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (the "2001 10-K") and incorporated herein by reference)

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
10.02	Noncompetition Agreement of Richard E. Rainwater, as assigned to Crescent Real Estate Equities Limited Partnership on May 5, 1994 (filed as Exhibit No. 10.02 to the 1997 10-K and incorporated herein by reference)

10.03	Noncompetition Agreement of John C. Goff, as assigned to Crescent Real Estate Equities Limited Partnership on May 5, 1994 (filed as Exhibit No. 10.03 to the 1997 10-K and incorporated herein by reference)
10.04	Employment Agreement with John C. Goff, as assigned to Crescent Real Estate Equities Limited Partnership on May 5, 1994, and as further amended (filed as Exhibit No. 10.04 to the 1999 10-K and incorporated herein by reference)
10.05	Eighth Amendment to the Employment Agreement of John C. Goff, dated as of April 10, 2001, effective as of January 1, 2001 (filed as Exhibit No. 10.03 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (the "2001 2Q 10-Q") and incorporated herein by reference)
10.06	Employment Agreement of Jerry R. Crenshaw, Jr., dated as of December 14, 1998 (filed as Exhibit No. 10.08 to the 1999 10-K and incorporated herein by reference)
10.07	Form of Officers' and Trust Managers' Indemnification Agreement as entered into between the Registrant and each of its executive officers and trust managers (filed as Exhibit No. 10.07 to the Form S-4 and incorporated herein by reference)
10.08	Crescent Real Estate Equities Company 1994 Stock Incentive Plan (filed as Exhibit No. 10.07 to the Registrant's Registration Statement on Form S-11 (File No. 33-75188) (the "Form S-11") and incorporated herein by reference)
10.09	Third Amended and Restated 1995 Crescent Real Estate Equities Company Stock Incentive Plan (filed as Exhibit No. 10.01 to the 2001 2Q 10-Q and incorporated herein by reference)
10.10	Amendment dated as of November 4, 1999 to the Crescent Real Estate Equities Company 1994 Stock Incentive Plan and the Second Amended and Restated 1995 Crescent Real Estate Equities Company Stock Incentive Plan (filed as Exhibit No. 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 10-K") and incorporated herein by reference)
10.11	Amendment dated as of November 1, 2001 to the Crescent Real Estate Equities Company 1994 Stock Incentive Plan and the Third Amended and Restated 1995 Crescent Real Estate Equities Company Stock Incentive Plan (filed as Exhibit No. 10.11 to the 2001 10-K and incorporated herein by reference)
10.12	Amended and Restated 1995 Crescent Real Estate Equities Limited Partnership Unit Incentive Plan (filed as Exhibit No. 99.01 to the Registrant's Registration Statement on Form S-8 (File No. 333-3452) and incorporated herein by reference)

10.13	1996 Crescent Real Estate Equities Limited Partnership Unit Incentive Plan, as amended (filed as Exhibit No. 10.14 to the 1999 10-K and incorporated herein by reference)

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
10.14	Amendment dated as of November 5, 1999 to the 1996 Crescent Real Estate Equities Limited Partnership Unit Incentive Plan (filed as Exhibit No. 10.13 to the Registrant's 2000 10-K and incorporated herein by reference)
10.15	Crescent Real Estate Equities, Ltd. Dividend Incentive Unit Plan (filed as Exhibit No. 10.14 to the Registrant's 2000 10-K and incorporated herein by reference)
10.16	Annual Incentive Compensation Plan for select Employees of Crescent Real Estate Equities, Ltd. (filed as Exhibit No. 10.15 to the 2000 10-K and incorporated herein by reference)
10.17	Crescent Real Estate Equities, Ltd. First Amended and Restated 401(k) Plan, as amended (filed as Exhibit No. 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference)
10.18	Form of Registration Rights, Lock-Up and Pledge Agreement (filed as Exhibit No. 10.05 to the Form S-11 and incorporated herein by reference)
21.01	List of Subsidiaries (filed as Exhibit No. 21.01 to the 2001 10-K and incorporated herein by reference)
23.01	Consent of Ernst & Young LLP (filed herewith)
23.02	Consent of Deloitte & Touche LLP (filed herewith)

(b) Reports on Form 8-K

None

(c) Exhibits

See Item 14(a)(3) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 22nd day of October, 2002.

CRESCENT REAL ESTATE EQUITIES COMPANY
(Registrant)

By /s/ John C. Goff

John C. Goff
Chief Executive Officer

By /s/ Jerry R. Crenshaw Jr.

Jerry R. Crenshaw Jr.
Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)

CERTIFICATIONS

I, John C. Goff, the Chief Executive Officer of Crescent Real Estate Equities Company, hereby certify that:

1. I have reviewed this annual report on Form 10-K/A;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.(1)

Date: October 22, 2002

/s/ John C. Goff

Name: John C. Goff
Title: Chief Executive Officer

---

(1) The certifications required by Form 10-K have been modified as set forth above in accordance with the Securities and Exchange Commission's ("SEC's") transition provisions governing certifications of amended periodic reports for periods ending prior to the effective date of the SEC's certification rules. See

SEC Final Rule, Certification of Disclosure in Companies' Quarterly and Annual Reports, Section V, Transition Provisions, 67 Fed. Reg. 57276, 57283 (Sept. 9, 2002).

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, John C. Goff, the Chief Executive Officer of Crescent Real Estate Equities Company (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K/A for the period ended December 31, 2001 (the "Report"). The undersigned hereby certifies that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 22, 2002

/s/ John C. Goff
Name: John C. Goff
Title: Chief Executive Officer

CERTIFICATIONS

I, Jerry R. Crenshaw, Jr., the Senior Vice President and Chief Financial and Accounting Officer of Crescent Real Estate Equities Company, hereby certify that:

1. I have reviewed this annual report on Form 10-K/A;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.(1)

Date: October 22, 2002

/s/ Jerry R. Crenshaw, Jr.

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

---

(1) The certifications required by Form 10-K have been modified as set forth above in accordance with the Securities and Exchange Commission's ("SEC's") transition provisions governing certifications of amended periodic reports for periods ending prior to the effective date of the SEC's certification rules. See SEC Final Rule, Certification of Disclosure in Companies' Quarterly and Annual Reports, Section V, Transition Provisions, 67 Fed. Reg. 57276, 57283 (Sept. 9, 2002).

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Jerry R. Crenshaw, Jr., the Senior Vice President and Chief Financial and Accounting Officer of Crescent Real Estate Equities Company (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K/A for the period ended December 31, 2001 (the "Report"). The undersigned hereby certifies that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 22, 2002 /s/ Jerry R. Crenshaw, Jr.

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

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
3.01	Restated Declaration of Trust of Crescent Real Estate Equities Company, as amended (filed as Exhibit No.

	3.01 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference)
3.02	Amended and Restated Bylaws of Crescent Real Estate Equities Company, as amended (filed as Exhibit No. 3.02 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 and incorporated herein by reference)
4.01	Form of Common Share Certificate (filed as Exhibit No. 4.03 to the Registrant's Registration Statement on Form S-3 (File No. 333-21905) and incorporated herein by reference)
4.02	Statement of Designation of 6-3/4% Series A Convertible Cumulative Preferred Shares of Crescent Real Estate Equities Company (filed as Exhibit No. 4.07 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "1997 10-K") and incorporated herein by reference)
4.03	Form of Certificate of 6-3/4% Series A Convertible Cumulative Preferred Shares of Crescent Real Estate Equities Company (filed as Exhibit No. 4 to the Registrant's Registration Statement on Form 8-A/A filed on February 18, 1998 and incorporated herein by reference)
4.04	Indenture, dated as of September 22, 1997, between Crescent Real Estate Equities Limited Partnership and State Street Bank and Trust Company of Missouri, N.A. (filed as Exhibit No. 4.01 to the Registration Statement on Form S-4 (File No. 333-42293) of Crescent Real Estate Equities Limited Partnership (the "Form S-4") and incorporated herein by reference)
4.05	6-5/8% Note due 2002 (filed as Exhibit No. 4.07 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (the "1998 2Q 10-Q") and incorporated herein by reference)
4.06	7-1/8% Note due 2007 (filed as Exhibit No. 4.08 to the 1998 2Q 10-Q and incorporated herein by reference)
4	Pursuant to Regulation S-K Item 601 (b) (4) (iii), the Registrant by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Registrant
10.01	Second Amended and Restated Agreement of Limited Partnership of Crescent Real Estate Equities Limited Partnership, dated as of November 1, 1997, as amended (filed as Exhibit No. 10.01 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (the "2001 10-K") and incorporated herein by reference)
10.02	Noncompetition Agreement of Richard E. Rainwater, as

	assigned to Crescent Real Estate Equities Limited Partnership on May 5, 1994 (filed as Exhibit No. 10.02 to the 1997 10-K and incorporated herein by reference)

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
10.03	Noncompetition Agreement of John C. Goff, as assigned to Crescent Real Estate Equities Limited Partnership on May 5, 1994 (filed as Exhibit No. 10.03 to the 1997 10-K and incorporated herein by reference)
10.04	Employment Agreement with John C. Goff, as assigned to Crescent Real Estate Equities Limited Partnership on May 5, 1994, and as further amended (filed as Exhibit No. 10.04 to the 1999 10-K and incorporated herein by reference)
10.05	Eighth Amendment to the Employment Agreement of John C. Goff, dated as of April 10, 2001, effective as of January 1, 2001 (filed as Exhibit No. 10.03 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (the "2001 2Q 10-Q") and incorporated herein by reference)
10.06	Employment Agreement of Jerry R. Crenshaw, Jr., dated as of December 14, 1998 (filed as Exhibit No. 10.08 to the 1999 10-K and incorporated herein by reference)
10.07	Form of Officers' and Trust Managers' Indemnification Agreement as entered into between the Registrant and each of its executive officers and trust managers (filed as Exhibit No. 10.07 to the Form S-4 and incorporated herein by reference)
10.08	Crescent Real Estate Equities Company 1994 Stock Incentive Plan (filed as Exhibit No. 10.07 to the Registrant's Registration Statement on Form S-11 (File No. 33-75188) (the "Form S-11") and incorporated herein by reference)
10.09	Third Amended and Restated 1995 Crescent Real Estate Equities Company Stock Incentive Plan (filed as Exhibit No. 10.01 to the 2001 2Q 10-Q and incorporated herein by reference)
10.10	Amendment dated as of November 4, 1999 to the Crescent Real Estate Equities Company 1994 Stock Incentive Plan and the Second Amended and Restated 1995 Crescent Real Estate Equities Company Stock Incentive Plan (filed as Exhibit No. 10.10 to the

	Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 10-K") and incorporated herein by reference)
10.11	Amendment dated as of November 1, 2001 to the Crescent Real Estate Equities Company 1994 Stock Incentive Plan and the Third Amended and Restated 1995 Crescent Real Estate Equities Company Stock Incentive Plan (filed herewith)
10.12	Amended and Restated 1995 Crescent Real Estate Equities Limited Partnership Unit Incentive Plan (filed as Exhibit No. 99.01 to the Registrant's Registration Statement on Form S-8 (File No. 333-3452) and incorporated herein by reference)
10.13	1996 Crescent Real Estate Equities Limited Partnership Unit Incentive Plan, as amended (filed as Exhibit No. 10.14 to the 1999 10-K and incorporated herein by reference)
10.14	Amendment dated as of November 5, 1999 to the 1996 Crescent Real Estate Equities Limited Partnership Unit Incentive Plan (filed as Exhibit No. 10.13 to the Registrant's 2000 10-K and incorporated herein by reference)

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
10.15	Crescent Real Estate Equities, Ltd. Dividend Incentive Unit Plan (filed as Exhibit No. 10.14 to the Registrant's 2000 10-K and incorporated herein by reference)
10.16	Annual Incentive Compensation Plan for select Employees of Crescent Real Estate Equities, Ltd. (filed as Exhibit No. 10.15 to the 2000 10-K and incorporated herein by reference)
10.17	Crescent Real Estate Equities, Ltd. First Amended and Restated 401(k) Plan, as amended (filed as Exhibit No. 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference)
10.18	Form of Registration Rights, Lock-Up and Pledge Agreement (filed as Exhibit No. 10.05 to the Form S-11 and incorporated herein by reference)
21.01	List of Subsidiaries (filed as Exhibit No. 21.01 to the 2001 10-K and incorporated herein by reference)

23.01	Consent of Ernst & Young LLP (filed herewith)
23.02	Consent of Deloitte & Touche LLP (filed herewith)