



**CRESCENT CAPITAL GROUP LP**

**FORM ADV PART 2A  
FIRM BROCHURE**

**March 29, 2019**

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This Brochure provides information about the qualifications and business practices of Crescent Capital Group LP (including its relying advisers: Crescent Credit Europe LLP; Crescent Direct Lending Management, LLC; Crescent European Specialty Loan S.a.r.l, Crescent SBIC Management, LLC; TCW/Crescent Mezzanine Management III, LLC; TCW/Crescent Mezzanine Management IV, LLC; TCW/Crescent Mezzanine Management V, LLC, and Crescent Private Credit Partners Management collectively “Crescent”, “we” or “us”). If you have any questions about the contents of this Brochure, please contact us at (310) 235-5900. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

We may refer to ourselves as “registered investment advisers.” Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about us also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2**

### **MATERIAL CHANGES**

This Item 2 discusses only material changes made to this Form ADV Part 2A (“Brochure”) since March 31, 2018, when Crescent Capital Group LP filed its most recent annual updating amendment to the Brochure. Persons previously receiving that Brochure should consider the following:

#### **ITEM 12: BROKER PRACTICES**

We revised subsection **Trading and Brokerage** to reflect changes in our allocation policy and in particular when there is an insufficient supply or demand for a security or bank loan, including: i) allocations when a Capital Markets strategy is including in a block trade; ii) the use of a “round robin” approach for allocating new issues; iii) allocations for block orders that include only Crescent Directly Negotiated Loan strategies (defined infra) and iv) allocations relating to Follow-On investments.

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Crescent may provide this Brochure to current or prospective investors in a private investment fund advised by Crescent (a “Fund”), together with the Fund’s private placement memorandum, organizational documents and other related documents (collectively, the “Fund Documents”), prior to, or in connection with, an investor’s consideration or execution of an investment in a Fund. Crescent, in its discretion, may subsequently provide the Brochure annually, or at the request of an investor in a Fund. Investors and other recipients should be aware that, while this Brochure may include information about a Fund, it is not a complete discussion of the features, risks or conflicts associated with the Fund. Each Fund’s Fund Documents contain more complete information about the Fund, and the Fund Documents may be provided to current and eligible prospective investors only by Crescent or other authorized parties.

**This Brochure is not and should not be deemed to be a general solicitation and does not constitute an offer to sell or a solicitation of an offer to buy any type of interest in any entity advised by Crescent. This Brochure does not constitute, in any jurisdiction, a recommendation, inducement, invitation, offer, or solicitation for you to purchase or acquire any securities or assets, and no legal relationship is created by this Brochure.**

This Brochure is not an offer of, or agreement to provide, advisory services directly to any recipient. Rather, this Brochure is designed solely to provide information about Crescent for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940 (“Advisers Act”) and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in Fund Documents. To the extent that there is any conflict between discussions herein and similar or related discussions in any Fund Documents, the Fund Documents shall govern.

No offer or solicitation in the Funds advised by Crescent will be made before the delivery of the Fund Documents. Potential investors should read carefully a Fund’s informational documents and legal agreements and to consult with their tax, legal and financial advisors before making a decision with respect to an investment managed by Crescent.

#### **ITEM 4 ADVISORY BUSINESS**

Crescent Capital Corporation, a predecessor to the business of Crescent, was formed in 1991 as an asset management firm specializing in below-investment grade debt investments. In 1995, the principals and portfolio managers of Crescent Capital Corporation (including Mark L. Attanasio and Jean-Marc Chapus) joined and became the leveraged finance group of The TCW Group, Inc. (“TCW”).

Crescent, a Delaware limited partnership, was organized in May 2010 as an independent, employee-owned asset management firm. Crescent was formed to transition the management of TCW’s leveraged finance group and the asset management business of the group from TCW to Crescent. As a result of the transition, the team at Crescent, through sub-advisory, co-advisory and other arrangements with TCW Asset Management Company (“TAMCO”), and TCW Investment Management Company (“TIMCO”), continues to manage assets that they managed when they were a part of TCW’s leveraged finance group. TAMCO and TIMCO are wholly-owned subsidiaries of TCW. For information regarding the direct owners, indirect owners, and executive officers of TAMCO and TIMCO, please see their respective Form ADV, Part 1A.

Our general partner is Crescent Capital GP LLC (“CCGP”). Jean-Marc Chapus and Mark L. Attanasio are limited partners of Crescent, and are the principal owners of both Crescent and CCGP.

Crescent offers investment advisory services primarily to institutional investors through private investment funds, including structured vehicles (each, a “Fund” and collectively, the “Funds”) and separately managed accounts (the Funds and separately managed accounts are collectively referred to herein as the “Clients”). The Funds include closed-end and open-end limited partnerships, collateralized loan obligations (“CLOs”), collateralized debt obligations (“CDOs”), and other investment vehicles. Our investment advice to our Clients focuses on investment and credit management activities in one or more below-investment grade corporate debt strategies through the following Product Groups:

Capital Markets: The Capital Markets Product Group includes our Alternative Credit, Bank Loan, High Income, High Yield Bond, Private Debt and Structured Products strategies. Each strategy invests in, with varying focus, bank loans, CLOs and public and private high-yield bonds of primarily U.S. companies.

Direct Lending: Accounts managed in this strategy invest in senior secured debt of private U.S. lower middle-market companies, including first lien, second lien and unitranche investments.

European Specialty Lending: Accounts managed in this strategy focus on privately secured loans for primarily European (with a bias towards northern and western jurisdictions) middle market companies, including senior secured, unitranche, second lien and selected subordinated debt.

Mezzanine: Crescent Mezzanine primarily originates mezzanine securities of middle-market companies, primarily in conjunction with private equity sponsors. These debt investments typically have an equity component.

Special Situations: Accounts managed in this strategy invest in debt and other securities of distressed middle market companies, in which we may take a leadership role in the restructuring process.

“Below-investment grade debt” refers to a financial instrument that is rated below BBB/Baa by one of the major rating agencies, or that, if unrated, in Crescent’s view has a comparable level of credit risk.

Crescent manages assets for and markets primarily to “qualified purchasers” (as defined in the Investment Company Act of 1940 (“Investment Company Act”)) and “accredited investors” (as defined in Regulation D under the Securities Act of 1933 (“Securities Act”)).

Investment guidelines and constraints for each Fund managed by Crescent are based upon the investment objectives and limitations of those Funds as stated in their Fund Documents. Crescent does not tailor its investment management to the individualized needs of any Fund investor.

Separately managed accounts may be reasonably tailored to a Client’s needs. Crescent and the Client will work to determine appropriate investment objectives, policies and restrictions, including restrictions on investing in certain securities or types of securities, for each managed account. The terms negotiated between the Client and Crescent (with respect to this and other terms including Management Fees (as defined below)) will typically be memorialized in a written investment advisory agreement (each, an “Investment Management Agreement”).

Certain Clients enter into arrangements with Crescent whereby Crescent provides investment or portfolio advice to the Client but Crescent does not exercise investment discretion (“Non-discretionary Clients”). Crescent may or may not execute trades for Non-discretionary Clients at the Client’s direction. Crescent’s fee in such non-discretionary arrangements is generally lower than its fee for providing investment advisory services where Crescent has full discretion.

As of December 31, 2018, we manage \$23,685,216,364 of Client assets on a discretionary basis and \$992,826,259 on a non-discretionary basis.

## **ITEM 5 FEES AND COMPENSATION**

We are typically compensated for our services through the payment of base management fees that are expressed as a number of basis points of assets under management (“Management Fees”). In some situations, we are also entitled to performance allocations (see Item 6, below).

Management Fees for Funds are typically set at the Fund’s first closing as set forth in the Fund Documents, and as such are generally non-negotiable. In open-ended Funds that periodically accept new investors, these fees are typically charged quarterly in arrears while in closed ended Fund management fees are charged quarterly typically, but not always, in advance. In either case, fees may be deducted directly from the Funds’ assets. To the extent that fees are assessed or paid in advance by investors and their investment is terminated, Crescent would promptly credit any unearned portions of the fee in accordance with the Fund Documents.

We may also receive compensation from borrowers for loan administration services received in connection with certain private deals in which a Fund invests. Typically we offset such fees against our Management Fees, to the benefit of the Fund investors. However, Crescent, including affiliated entities, may retain a portion of such fees in proportion to their investment in a Fund’s General Partner.

Management Fees for separately managed accounts may be negotiable. These fees are typically charged quarterly in arrears, and investors are typically billed for fees incurred. Crescent may also receive fixed-fee compensation for non-discretionary services, which is generally lower than its fee for providing investment advisory services where it has full discretion.

Compensation arrangements set forth in sub-advisory, co-advisory, and other arrangements between Crescent and TAMCO and TIMCO, each an SEC-registered investment adviser, (as discussed below in Item 10) have been privately negotiated, and are a percentage of the compensation received by TAMCO and TIMCO from the Clients for which Crescent provides sub-advisory services.

**Other Fees and Expenses Associated with Advised Accounts or Funds.** Crescent’s Clients and investors may bear certain other fees, expenses and costs (in addition to the Management Fees, payable to Crescent) which are incidental or related to the maintenance of a Client account, the operation of Funds or the buying, selling and holding of investments. These fees may include, but are not limited to: (1) custodial charges; (2) credit support fees; (3) brokerage fees; (4) fees for administrative services provided by third parties and/or affiliated entities; (5) fees for professional services provided in-house for Crescent (to the extent there is a tangible benefit of such services to a Client); (6) commissions and other related transaction costs and expenses, such as deal fees, origination fees and deferred sales charges; (7) governmental charges, taxes and duties; (8) transfer fees, registration fees and other expenses associated with buying, selling or holding investments, such as wire transfer and electronic fund fees; (9) withholding taxes payable and required to be withheld by issuers or their agents; (10) legal fees incurred in connection with the discharge of its investment management responsibilities, (11) travel (including first class or private airfare, as discussed below), meal and entertainment expenses, (12) expenses incurred with respect to investor or limited partner communication, meetings and conferences, (13) audit fees, (14) insurance expenses, and (15) fees associated with investments in pooled investment vehicles (the “Other Expenses”).

Other Expenses are memorialized for Funds in the Fund Documents.

Crescent will allocate such expenses in a manner consistent with its fiduciary duty and in accordance with its relevant policies (as they may be amended from time to time). Often, Crescent will undertake due diligence with respect to an investment that is not completed (i.e., “broken deal” expenses are incurred). Crescent attempts to allocate broken deal expenses generally on a pro rata basis across accounts, funds and other investors that regularly co-invested with a Fund in similar deals during the prior year. In certain circumstances (for example, where a co-investor does not regularly participate in co-investments in similar deals), Crescent generally allocates pre-commitment broken deal expenses only to the accounts, funds and other investors that do regularly participate and does not allocate such expenses to any co-investors that do not regularly participate in similar deals.

Generally, expenses will be charged to the Client(s) on whose behalf the expense was incurred. Crescent from time to time incurs fees, costs and expenses on behalf of more than one Client. To the extent fees, costs and expenses are incurred for the account or benefit of more than one Client, each Client will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in the activity or entity to which the expense relates (subject to the terms of each Client’s applicable governing documents) or in such other manner as Crescent considers fair and equitable under the circumstances. Crescent endeavors to allocate such fees, costs and expenses on a fair and equitable basis over time.

For additional information about brokerage and other transaction costs, please refer to Item 12, “Brokerage Practices” later in this Brochure.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Certain Clients pay Crescent both Management Fees and a performance allocation while others may pay only Management Fees or no fees at all. This may result in us having a conflict of interest to favor Clients from whom we receive a performance allocation. We have adopted policies and procedures, described in Items 11 and 12, below, that we have designed to address this and other potential conflicts of interest.

Crescent charges performance-based fees only in accordance with Section 205(3) of the Advisers Act or Rule 205-3 thereunder.

The nature and amount of compensation paid to Crescent by a Client or an investor in a Fund may differ from that paid by other Clients or other Fund investors, even those investing in the same fund or in similar, competing or conflicting investments.

Crescent faces a potential conflict of interest when (1) the actions taken on behalf of one Client may adversely impact another Client (e.g., because such Clients have the same or similar investment strategies and compete for investment opportunities or such Clients have conflicting investment strategies and one Client could gain an advantage trading ahead of another Client) and (2) Crescent or its personnel have a pecuniary interest in Client accounts, such as earning a performance fee, because Crescent may have an incentive to favor certain Clients over others with less lucrative fee structures. Such conflicts may present particular concern when, for example, Crescent places, or allocates the results of, securities transactions that Crescent believes could more likely result in favorable performance, or engages in cross trades or executes potentially conflicting or competing investments.

Performance-based compensation arrangements may also create an incentive for Crescent to recommend investments that are more risky or speculative than those that would be recommended under a different arrangement. Additionally, under a performance-based allocation structure, Crescent may

benefit when capital gains are recognized and, because it determines when an investment is sold, Crescent controls the timing of the recognition of such capital gains. Crescent or its affiliates, or their respective principals or personnel, may also own a portion of the Funds managed by Crescent. This may create a similar performance-based incentive to that mentioned above.

To mitigate these conflicts, Crescent's policies and procedures seek to provide that investment decisions are made in accordance with the fiduciary duties owed to Clients and investors, without consideration of Crescent's (or Crescent's personnel's) other interests.

## **ITEM 7 TYPES OF CLIENTS**

Crescent primarily provides investment advisory services to private funds, special purpose or single investor funds, separate accounts and structured products. Crescent manages assets for and markets its private funds and separate accounts, either directly or through its wholly-owned broker, Sepulveda Distributors LLC, primarily to persons who are "qualified purchasers" (as defined in the Investment Company Act) and "accredited investors" (as defined in Regulation D under the Securities Act).

Investors in Clients generally are, but are not limited to, institutional investors (including insurance companies and public and private pension funds), trusts, estates, foundations, endowments and other charitable organizations, corporations and high net worth individuals or family offices.

Fund investors typically invest in excess of \$3 million, and separate accounts are generally in excess of \$30 million.

Client accounts are of varying sizes. If a particular account size is too small, it is possible that a Client will be unable to participate in certain investments because of a lack of available investment capital.

## **ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

We typically seek to invest in companies that we believe to possess strong business fundamentals, including companies with leading competitive positions within well-defined markets, sustained profitability, predictable cash flows, talented management and sound managerial controls. In selecting investments, we are credit-focused, seeking first to preserve our invested capital.

We analyze investments and attempt to manage risk for our investment strategies by employing a well-developed bottom-up and top-down credit research-focused process. This process includes a disciplined approach to obligor security selection and portfolio construction (including, as may be appropriate for a given strategy or Client, diversification among issuers and industries).

We select investments by analyzing information from a variety of sources, which may include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. We may also obtain market information through internal research facilities and third-party providers such as Bloomberg, Telerate, Dow Jones Capital, Reuters, wire services, and other publicly available sources. We may obtain additional information on issuers through due diligence meetings with issuers' management, court filings (including bankruptcy filings), independently prepared engineering and technical reports, interviews with suppliers, customers and competitors, third party analytical systems such as Salomon Brothers Yield Book, and audited financial reports. Additionally, we may gather information



for analysis through discussions with third parties such as tenants, customers, surveyors, engineers, environmental consultants, local brokers, attorneys, investment bankers, published research, discussions with third party investment research professionals, potential co-investors, etc. Also, Crescent may now engage so-called expert networks to consult with paid industry experts and has revised its policies to address potential issues relating to the receipt of material non-public information.

We may use a variety of analytical methods on the data we collect, including fundamental, technical, and cyclical analyses. We also may analyze securities structures, country risk (including consideration of global trading relationships such as free trade agreements), political risks, monthly compliance statements, discounted cash flows, and proprietary data and analytical systems developed and maintained in-house. Further, we may perform credit analyses based upon debt payment history, term of debt, price, equity kickers, interest rate, market interest rates, general market conditions, industry conditions, and other similar factors.

Once we have identified securities that meet our criteria, we may employ a variety of investment strategies, including long term purchases (securities held at least one year), short term purchases (securities sold within one year), and trading (securities sold within thirty days). For certain Clients, we may engage in transactions to mitigate currency risk and/or use borrowing or leverage. We may also seek to mitigate risk or invest opportunistically for certain Clients by using short sales and credit derivatives.

Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. While Crescent seeks to mitigate risks so that they are appropriate to the return potential for the strategy or Client, it is usually not possible or desirable to fully mitigate risks. Clients and investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

Our services are not intended to provide a complete investment program for investors. Crescent expects that the assets it manages do not represent all of an investor's managed assets. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss. In addition, there can be no assurance that Crescent will draw down all or any particular portion of a Client's commitment where, for example, Crescent does not believe that investment opportunities available in the market place are prudent or appropriate for the Client.

Generally the risks described below are increased the lower (i.e., the more "junior" or "subordinated") an investment is in the capital structure of a portfolio company or where investments are less liquid. This is particularly true for our Mezzanine and Special Situations strategies, which generally invest in lower levels of the capital structure, more levered capital structures, distressed investments or privately negotiated investments. With respect to comparative position in the capital structure, the terms "lower", "junior" or "subordinated" refer to the priority of the claim in the event of bankruptcy.

Specific risks applicable to a particular Client are enumerated in the Fund Documents or the Investment Management Agreements or related documents with respect to each Client. The investments we manage entail the following general risks, some or all of which may be applicable to any particular Client depending on the asset classes involved and investment guidelines of such Client:

**Below-Investment Grade Instruments.** The below-investment-grade securities, loans and other assets in which our Clients invest are considered to be speculative, and involve a high degree of financial risk due to the nature of their issuers' and obligors' leveraged capital structures. Such instruments are also commonly known as "junk bonds." These investments may be (1) unsecured and subordinated to substantial amounts of senior debt (all or a significant portion of which may be secured), (2) may not be protected by financial covenants or limitations on additional debt, (3) may have limited liquidity and (4)

may not be rated by a credit rating agency. These instruments are regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. Because investment in below-investment-grade instruments involves greater investment risk, achievement of the Client's investment objective will be more dependent on our analysis than would be the case if the Client were investing in higher-quality, investment grade instruments. In addition, below-investment-grade instruments in leveraged capital structures may be more susceptible to real or perceived adverse economic and issuer-specific developments than investment-grade instruments. Moreover, the secondary trading market for lower quality instruments is generally more volatile and may be less liquid than the market for investment grade securities. This potential lack of liquidity may make it more difficult to accurately value certain portfolio investments. Crescent intends to monitor portfolio company performance; however, it is primarily the responsibility of a portfolio company's management to operate the portfolio company on a day-to-day basis, and there is no assurance that management will perform in accordance with our or a Client's expectations. Therefore, there can be no assurance that the investments will be able to generate returns for Clients or that the returns will be commensurate with the risks of investing. It is possible that Clients will incur losses up to a complete loss of capital.

**Stressed and Distressed Investments.** Stressed and distressed credits include public and private debt securities and other obligations (including high yield bonds and bank debt) of issuers and borrowers that are in or near default or bankruptcy or otherwise experiencing financial distress. The market for distressed credits may be cyclical as default rates often vary based upon economic conditions, industry-specific trends, the financing markets and various other factors, including legal and regulatory constraints. Investment in stressed and distressed securities involves a high degree of credit and market risk. Although Crescent seeks to invest in select companies that in our view have the potential over the long-term for capital growth, there can be no assurance that such financially troubled issuers or operationally troubled issuers can be successfully transformed into profitable operating companies and generate returns to compensate adequately for the risks assumed. The level of analytical sophistication, both financial and legal, necessary for successful investment in stressed and distressed securities is unusually high and is often based on limited information. There can be no assurance that we will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action. Securities and debt of financially troubled issuers or borrowers and operationally troubled issuers or borrowers are less liquid and more volatile than securities of companies not experiencing financial or operational difficulties and could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry, specific developments within the companies and other factors. The market prices of such securities are subject to erratic and abrupt market movements, and the spread between bid and asked prices may be greater than normally expected, which may result in delays and losses and other costs in connection with the sale of such investments.

**General Market and Credit Risks of Debt Securities.** Debt portfolios are subject to credit and interest rate risks. "Credit risk" refers to the potential that an issuer or obligor will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer or obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities or loans which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments may also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors,

among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

**Illiquid and Long-Term Investments.** An investment may have a contractual return that is not paid entirely in cash, but rather partially or wholly in-kind or as an accreting liquidation preference, thus lengthening the time before cash is received and increasing the Client's risk exposure to the portfolio company. While Crescent intends to achieve a targeted return for a given investment over time, other factors such as overall economic conditions, the competitive environment and the availability of potential purchasers or capital for the refinancing of the securities, may shorten or lengthen holding periods and some investments may take longer than initially planned from the initial investment date to achieve a realization. It is anticipated that there will not be a public market for a substantial portion of the securities held by Clients. Therefore if a Client determines or is required to liquidate all or a portion of its portfolio positions quickly, that Client may realize significantly less than the value at which its investments were previously recorded.

**Price Volatility Risk.** The value of a Client's investment portfolio will change as market prices of its investments increase or decrease due to among other things credit risk, interest rate risk or changes in market factors (market risk). Generally, the longer a Client's portfolio duration, the greater the degree of price fluctuation. Also, more concentrated portfolios have greater potential volatility. Below-investment-grade securities are more susceptible to market risk and general economic factors than investment-grade securities, and, thus, typically bear increased price volatility risk.

**Foreign Investing and Currency Exchange Risk.** Foreign investments may involve greater risks than domestic investments because a Client's performance may depend on factors other than the performance of a particular company, including the following: the unpredictability of international trade patterns; the possibility of governmental actions adverse to business generally or to foreign investors in particular; imposition or modification of controls on foreign currency exchange, repatriation of proceeds or foreign investment; the imposition or increase of withholding taxes on income and gains; price volatility; absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation which may result in lower quality information being available and less developed corporate laws regarding fiduciary duties and the protection of investors; governmental influence on the national and local economies; and fluctuations in currency exchange rates. In addition, collateral that is located outside of the United States may be subject to various laws enacted for the protection of creditors, depending on the country and the issuer, which laws may differ substantially from those applicable in the United States. The risks described in this paragraph with respect to foreign investments apply to an even greater extent to investments in emerging markets.

Furthermore, foreign investments may be denominated in currencies other than the U.S. dollar, and hence the value of such investments will depend in part on the relative strength of the U.S. dollar. Clients may be affected favorably or unfavorably by currency control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar. Foreign currency fluctuations could result in losses on investments in securities of foreign issuers. This might occur, for example, if the value of the acquired foreign securities declines and any debt incurred to purchase the investments is repaid by the Client from assets not otherwise available for foreign investment. Such a circumstance could be compounded if, as the result of foreign currency fluctuations, the amount in dollars required to repay indebtedness denominated in a foreign currency exceeds the amount in dollars actually borrowed to make the investment. There can be no assurance as to the success of any hedging operations that we may implement.

**Political Uncertainty Risk.** Markets, both domestic and foreign, in which the Clients are invested or to which clients are exposed may experience political uncertainty, that subjects investments to heightened

risks, even when made in established markets. These risks include: greater fluctuations in currency exchange rates; increased risk of default (by both government and private issuers); greater social, economic, and political instability (including the risk of war or natural disaster); increased risk of nationalization, greater governmental involvement in the economy; less governmental supervision and regulation of the securities markets and participants in those markets; controls on foreign investment, capital controls and limitations on repatriation of invested capital and on the Client's or Crescent's ability to exchange currencies; inability to purchase and sell investments or otherwise settle security or derivative transactions (i.e., a market freeze); unavailability of currency hedging techniques; slower clearance; and difficulties in obtaining and/or enforcing legal judgments.

During times of political uncertainty the securities, derivatives and currency markets may become volatile. There also may be a lower level of monitoring and regulation of markets while a country is experiencing political uncertainty, and the activities of investors in such markets and enforcement of existing regulations may be extremely limited. Markets experiencing political uncertainty may have substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates may have negative effects on such countries' economies and securities markets. There can be no assurance that adverse political changes will not cause a client to suffer a loss of any or all of its investments or, in the case of fixed income securities, interest thereon. Specific political risks include, but are not limited to:

***Tax Reform Legislation.*** Significant tax reform legislation was recently enacted that, among other things, permanently reduces the maximum federal corporate income tax rate, reduces the maximum individual income tax rate (effective for taxable years 2018 through 2025), restricts the deductibility of business interest expense, changes the rules regarding the calculation of net operating loss deductions that may be used to offset taxable income, expands the circumstances in which a foreign corporation will be treated as a "controlled foreign corporation" and, under certain circumstances, requires accrual method taxpayers to recognize income for U.S. federal income tax purposes no later than when the income is taken into account as revenue in an applicable financial statement. The impact of this new legislation on Clients is uncertain and prospective investors are urged to consult their tax advisors regarding the effects of the new legislation on an investment.

***Regulatory Changes.*** Governmental and regulatory authorities, including in the United States and the European Union (the "**EU**"), have taken unprecedented action to attempt to stabilize financial markets and improve and increase regulatory oversight in response to events in the last decade, including the recent global financial market crisis. Attention has been focused on the need for financial institutions, trading firms, and private investment funds to maintain adequate risk controls, capital reserves and compliance procedures. Events have also raised concerns and prompted regulatory responses as to the manner in which certain exchanges and regulators monitor trading activities and protect customer funds. Disruptions and adverse events in the equity, securitization, derivative, and money markets and the freezing of the credit markets have increased the call for additional and consolidated regulatory oversight of the global financial markets. As a result, the regulatory environment for private investment funds and separate accounts is evolving and the effect of any regulatory or tax changes currently being implemented or which may be implemented in the future on Crescent and its Clients, as well as the markets and instruments in which they invest and the counterparties with which they conduct business is difficult to predict.

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Reform Act**") was signed into law in July 2010. The Reform Act contains changes to the existing regulatory structure in the United States and is intended to establish rigorous oversight standards to protect the U.S. economy and American consumers, investors, and businesses. The Reform Act and related rulemakings requires additional regulation of private equity, hedge fund and derivative managers, including requirements for such managers to register as investment advisers under the Advisers Act of 1940 and to

disclose certain information to regulators about their funds, investors, assets, counterparties, and exposures. The Reform Act is in the process of being implemented based on the adoption of various regulations and reports being promulgated by various regulatory authorities over a period of time. Although the regulators are currently in the process of proposing and promulgating additional regulations, and it is unknown in what form, when, and in what order all of the regulations may be implemented or the impact any such implemented regulations will have on Crescent and its Clients, though it is generally expected to add costs to the legal, operations and compliance obligations and increase the amount of time that Crescent spends on non-investment related activities. Moreover, the current Trump administration has suggested that parts of Reform Act may be delayed, modified or eliminated, and legislation has been proposed that would make numerous changes to the Reform Act. As a result, there is substantial uncertainty surrounding the regulatory environment for the financial industry in the United States.

Furthermore, there is a possibility of future regulatory changes to securities and derivatives markets, which may alter, perhaps to a material extent, the nature of an investment in a Crescent fund or separate account or the ability of Crescent to continue to implement the investment strategy. In addition, the SEC, CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of futures, options and swaps transactions in the U.S. is a rapidly changing area of law and is subject to modification by government and judicial action.

Under the Alternative Investment Fund Managers Directive (the “*AIFM Directive*”), Member states of the EU were required to implement the AIFM Directive into national legislation. Under the terms of the AIFM Directive, if an Investment Manager is designated as the “EU AIFM” (as that term is defined in the AIFM Directive) of a Fund, the entity designated as the “AIFM” will be required to ensure that the partnership complies with certain restrictions and/or meets certain conditions which may include, depending upon the structure utilized by the partnership at that time and the marketing activities undertaken with respect to the partnership, restrictions and/or conditions as to its liquidity profile and withdrawal/redemption policy and use of leverage, transparency, the appointment of a depositary, and disclosure obligations concerning the acquisition of major holdings and control of unlisted companies. Such restrictions and/or conditions, and/or any others that may be required as a result of the AIFM Directive, may result in the restructuring of a partnership and/or its respective relationships with service providers and are likely to increase the on-going costs borne, directly or indirectly, by a partnership.

Crescent continues to monitor these enacted and proposed laws and regulations and will seek to comply with all applicable laws and regulations. In the future, other laws, rules and regulations, including ones which may relate to the USA PATRIOT Act, may require Crescent to conduct additional verification of both the identity of any person submitting a completed subscription agreement, the source of each person’s investment, and the bank accounts remitting subscription monies or receiving withdrawal or distribution proceeds. Entity investors may also be required to produce certain information to the partnership confirming other information already required by the partnership in its subscription agreement. Governmental authorities are continuing to consider appropriate measures to implement know-your-customer and anti-money laundering laws (customarily known as “KYC” and “AML”, respectively), and it is unclear what additional steps Crescent may be required to take; however, these steps may include prohibiting Limited Partners from making further purchases of Interests or depositing distributions to which Limited Partners would otherwise be entitled to an escrow account and/or causing the withdrawal of Interests. It also is possible that, in connection with the establishment of anti-money laundering procedures or for other reasons, certain legislation or other regulation may require the Partnership, the Investment Manager, or other service providers to share information with governmental and regulatory authorities with respect to Limited Partners. Crescent will reserve the right to require and produce such information as is necessary to comply with any request for information by courts, tribunals, central banks, exchanges, or

governmental or regulatory authorities.

***European Economic Risk.*** European financial markets have recently experienced volatility and have been adversely affected by concerns about rising government debt levels, credit rating downgrades, and possible default on or restructuring of government debt. These events have affected the value and exchange rate of the euro, the common currency of the European Monetary Union (“*EMU*”). Investing in euro-denominated (or other European currency-denominated) securities also entails the risk of being exposed to a currency that may not fully reflect the strengths and weaknesses of the disparate European economies. Holders of euro-denominated sovereign debt, including banks and other financial institutions, could be adversely affected by weakness in sovereign borrowers, which in turn may have less ability to support the financial system. The governments of several member countries of the EU have experienced large public budget deficits, which have adversely affected the sovereign debt issued by those countries and may ultimately lead to declines in the value of the euro.

It is possible that countries that have already adopted the euro could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The effects of such abandonment or a country’s forced expulsion from the EMU on that country, the rest of the EMU, and global markets are impossible to predict, but are likely to be negative. The exit of any country out of the EMU would likely have an extremely destabilizing effect on all Eurozone countries and their economies and a negative effect the global economy as a whole. In addition, under these circumstances, it may be difficult to value investments denominated in euros or in a replacement currency.

***Potential implications of ‘Brexit’.*** The 2016 decision made in the British referendum to leave the EU has led to volatility in the financial markets of the United Kingdom and more broadly across Europe and may also lead to weakening in consumer, corporate and financial confidence in such markets. The formal notification by the United Kingdom to the European Council under Article 50 of the Treaty on European Union triggered the two-year negotiation period for exit but the longer term economic, legal, political and social framework to be put in place between the United Kingdom and the EU are unclear at this stage and are likely to lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the U.K. and in wider European markets for some time.

In particular, the decision made in the British referendum may lead to a call for similar referenda in other European jurisdictions which may cause increased economic volatility in the European and global markets. This mid to long term uncertainty may have an adverse effect on the economy generally and on the ability of the Partnership and its portfolio companies to execute their respective strategies and to receive attractive returns. In particular, currency volatility may mean that the returns of a fund or separate account and their portfolio investments are adversely affected by market movements and may make it more difficult, or more expensive, for them to execute prudent currency hedging policies. Potential decline in the value of the Pound Sterling and/or the Euro against other currencies, along with the potential downgrading of the U.K.’s sovereign credit rating, may also have an impact on the performance of portfolio companies or investments located in the United Kingdom or Europe.

**Bridge Investment.** Investments may include bridge financing to portfolio companies. While a bridge financing is outstanding, the bridge lender bears the risk of changes in the capital markets. A portfolio company’s inability to refinance a bridge loan may result in a Client retaining a long-term investment in a junior security or having its bridge loan converted to equity.

**Derivatives.** Clients may hold or write various derivative instruments, including options, forward contracts, swaps and other derivatives, which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks. When derivatives are used for hedging

purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may reduce the effectiveness of the hedge or result in a loss. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets Clients may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which Clients may conduct transactions in certain derivative instruments may prevent prompt liquidation of positions, subjecting Clients to potential losses. While certain derivatives are subject to mandatory central clearing and exchange trading, others that may be purchased or sold by Clients may not be traded on an exchange. Over-the-counter options, unlike exchange-traded options, are two-party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater, and the ease with which Clients can dispose of or enter into closing transactions with respect to such an instrument may be less, than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “ask” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. Central clearing and exchange trading are intended to reduce counterparty credit risk and increase liquidity but does not make transactions in cleared or exchange-traded derivatives risk-free.

Certain legal, tax and market uncertainties present risks when entering into credit derivatives. There is uncertainty surrounding the characterization of credit derivatives, interpretation of their provisions and their tax treatment. In addition, additional regulations and laws may apply to credit derivatives that have not heretofore been applied. There can be no assurance that future decisions construing similar provisions to those in any credit derivative or other related documents or additional regulations and laws will not have a material adverse effect on Clients.

**Credit Default Swaps.** Certain Clients may enter into credit default swaps, which are a type of derivative instrument. Credit default swaps are generally subject to the risks applicable to other derivative instruments, as well as certain additional risks because they are difficult to value, are susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer financial difficulty. Furthermore, the International Swaps and Derivatives Association, Inc. (ISDA), has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market. The credit default swap market is expected to continue to change and the Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. Additionally, past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. There can be no assurances that changes to the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to Clients. Amendments or supplements to the Credit Derivatives Definitions that are published by ISDA will only apply to credit default swaps of Clients, if any, if Clients and the swap counterparty agree to amend any such credit default swap to incorporate such amendments or supplements. Markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the Credit Derivatives Definitions. Furthermore, the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to Clients.

**Counterparty and Custodial Risk.** To the extent Clients invests in swaps, “synthetic” or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments or, in certain circumstances, non-U.S. securities, Clients take the risk of non-performance by the other party to the contract. This risk may include the credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement,

and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Additionally, transactions that are cleared through a clearinghouse are subject to the credit risks associated with the clearinghouse.

**Insolvency Considerations.** The information in this and the following risk factor (“Participation on Creditors’ Committees and Boards of Directors”) is applicable with respect to U.S. obligors. Because Crescent invests client accounts in loans and debt securities, various laws enacted for the protection of creditors may apply to instruments held by Clients. The loans of obligors not organized or incorporated in the United States will be subject to laws enacted in their home countries for the protection of creditors, which may differ from and be less favorable than the laws described above. If in a lawsuit brought by an unpaid creditor or representative of creditors of an obligor (such as a trustee in bankruptcy) under a loan, a court were to find that the obligor did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the loan and, after giving effect to such indebtedness, the obligor (1) was insolvent, (2) was engaged in a business for which the remaining assets of such obligor constituted unreasonably small capital or (3) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, then the court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing and/or future creditors of the obligor, or to recover amounts previously paid by the obligor in satisfaction of such indebtedness. There can be no assurance as to what standard a court would apply in order to determine whether the obligor was “insolvent” after giving effect to the incurrence of the indebtedness constituting the loan or that, regardless of the method of valuation, a court would not determine that the obligor was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an obligor of a loan, payments made on such loan could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency. In general, if payments on an obligation are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured from the initial recipient (such as Clients).

**Participation on Creditors’ Committees and Boards of Directors.** Representatives of Crescent, on behalf of Clients, may participate on committees formed by creditors to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. Crescent may also seek to negotiate directly with debtors with respect to restructuring issues. In the situation where a representative of Crescent chooses to join a creditors’ committee, the representative would likely be only one of many participants, each of whom would be interested in obtaining an outcome that is in its individual best interest. There can be no assurance that the representative would be successful in obtaining results most favorable to our Clients in such proceedings, although the representative may incur significant legal fees and other expenses in attempting to do so. As a result of participation by the representative on such committees, the representative may be deemed to have duties to other creditors represented by the committees, which might thereby expose Clients to liability to such other creditors who disagree with the representative’s actions. It is possible that Crescent or its affiliates will be represented on the boards of some of the companies in which Clients make investments. Such representation may have the effect of impairing the ability of Crescent to sell Clients’ related investments when, and upon the terms, they might otherwise desire, including as a result of applicable securities laws. If Crescent or any of Crescent’s affiliates or employees earns compensation with regard to any such board representation, such compensation will generally be remitted to the relevant Clients. See also Item 11.

**Availability of Suitable Investments; Competition.** The identification of attractive investment opportunities is difficult and highly uncertain. There can be no assurance that we will be able to invest a Client’s capital fully or that suitable investment opportunities will be identified. Crescent often seeks to invest in companies with relatively short operating histories and lower revenues or companies that have undergone leveraged buyouts or recapitalizations. The success of Client portfolios will depend on the



ability of Crescent to originate, recommend, structure, identify and consummate suitable investments in a highly competitive environment, to improve the operating performance of portfolio companies, and to dispose of investments at a profit. Crescent competes with the public and private debt and equity markets and with other investors, including other asset management firms, mezzanine funds, private equity funds, hedge funds, direct investment firms, business development companies and merchant banks for investment opportunities.

**Investments in Cash or Cash-Equivalent Investments.** Crescent may invest a portion of Clients' assets in cash or cash equivalents when, for example, (1) Clients are initially funded or additional funding occurs and targeted investments have not been identified or purchased, (2) other investments are unattractive, (3) providing a reserve for anticipated obligations of Clients or (4) for other temporary purposes. Although such practices may assist in the preservation of capital, the assumption of cash positions may also reduce potential investment returns especially for Clients who pay Management Fees on cash or cash equivalents. Cash investment practices may be expected, therefore, to affect total investment performance of Clients' portfolios.

**Use of Leverage.** Clients may borrow or otherwise use leverage to increase profit potential while increasing risk of loss and volatility. Leverage may take the form of borrowed money, uncovered short positions, uncovered put options, derivative instruments that are inherently leveraged, and other forms of direct and indirect borrowings. If the interest expense on borrowings were to exceed the net return on the portfolio of securities purchased with borrowed funds, returns will be lower than if the Client were not leveraged. Additionally, the use of leverage, while providing the opportunity for higher returns, also increases volatility and the risk of loss. We may have a conflict of interest in causing a Client to incur leverage or determining to de-lever, because we may earn fees on the leverage and/or have a performance allocation without the associated risk of loss of our invested capital.

**Litigation.** To the extent that a Client is in a position to exercise any significant influence over a portfolio company, there could be a heightened risk of litigation (e.g., claims that the Client is a controlling person and thus liable for securities law violations of the portfolio company). The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments, absent fraud, willful misconduct or gross negligence by Crescent, would be borne by relevant Clients or their investors and would reduce net assets or could require investors in Clients to return the Clients' distributed capital and earnings. Crescent and others are indemnified in connection with such litigation, subject to certain conditions. In connection with the disposition of an investment in a portfolio company, Clients may be required to make representations about the business and financial affairs of a portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. Clients also may be required to indemnify the purchasers of such investments or underwriters, to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities to Clients. In addition, in the capacity as a member of the boards of directors of portfolio companies, a representative of Clients may become subject to fiduciary or other duties which may adversely affect Clients. For example, Clients may be unable to sell portfolio securities if a representative of Crescent is in possession of inside information relating to the issuer of the portfolio securities. Clients also may be limited to the same "window periods" for sales of public securities of a portfolio company as are directors of the portfolio company if a representative of Crescent is on the board of directors of the portfolio company.

**Business and Regulatory Risks.** Legal, tax and regulatory changes in the U.S. and outside the U.S. could occur during the term of Clients' engagement of Crescent that may adversely affect Clients. The regulatory environment for private investment vehicles is evolving, and changes in such regulation may adversely affect the value of investments held by Clients. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other

regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. Legal, tax, and regulatory changes, as well as judicial decisions, could adversely affect the implementation of Clients' investment strategy. The effect of any future regulatory change on Clients could be substantial and adverse. Alternative U.S. or non-U.S. rules or legislation regulating Clients or Crescent may be adopted, and the possible scope of any rules or legislation is unknown. There can be no assurances that Clients or Crescent will not in the future be subject to regulatory review or discipline. The effects of any regulatory changes or developments on Clients may affect the manner in which it is managed and may be substantial and adverse.

**Cybersecurity Risk.** In addition to the risks described above that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, Crescent and the client accounts Crescent manages have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause Crescent and client accounts (including funds) Crescent manages to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which Crescent invests, counterparties with which Crescent engages in transactions, third-party service providers (e.g., a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since Crescent does not directly control the cybersecurity systems of issuers or third-party service providers.

**Short Sales.** Certain Clients may use short sales to hedge or for opportunistic reasons. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Client's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. For Clients investing opportunistically in short sales, many of the short positions will either be uncovered or based on securities or loans borrowed from other parties. There is the risk that the securities or loans borrowed by a Client in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities or loans or the need to otherwise purchase securities or loans to cover a short position occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Client may be compelled to purchase securities on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities or loans short.

**Combination or "Layering" of Multiple Risk Factors May Significantly Increase Risk of Loss.** Although the various risks discussed herein are generally described separately, investors should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss may be significantly increased.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

Not Applicable.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Sepulveda Distributors LLC, a wholly-owned subsidiary of Crescent that is registered with the SEC as a broker-dealer (“Sepulveda Distributors”), completed its registration with the Financial Industry Regulatory Authority in 2014 and began operations in 2015. Sepulveda Distributors functions as a “limited purpose” broker-dealer limited to offering the Funds sponsored by Crescent, and will not engage in broad distribution of securities, taking custody of customer assets or securities, or other customary functions of a broker-dealer.

Officers or employees of Crescent may from time to time be members of the boards of directors of publicly-held companies that may be permitted investments of various investment strategies offered by Crescent. In these cases, Crescent takes steps such as establishing information barriers or placing the security in question on a restricted list, which may limit or preclude the purchase or sale of such securities for Crescent’s Clients and employees.

As a part of the transition of the TCW leveraged finance group's management and business conducted thereby to Crescent, Crescent entered into various sub-advisory, co-advisory and other arrangements with certain affiliates of TCW, including TAMCO and TIMCO, with respect to various private investment funds and investors, as Clients. Under such arrangements, certain employees of Crescent also serve as dual employees of TAMCO, TIMCO or their affiliates (including Trust Company of the West), for purposes of providing advice to Clients. Additionally, TCW-WLA JV Venture LLC (“TCW-WLA”), a SEC-registered investment adviser which is a joint venture between TAMCO and Crescent, acts in an advisory role to certain Clients. TCW-WLA is staffed primarily with Crescent personnel.

Services provided by Crescent and/or TCW-WLA, and related compensation arrangements are set forth in sub-advisory or sub-delegation and other arrangements between or among TIMCO, TAMCO, Crescent, and TCW-WLA. In most cases, Clients serviced by Crescent or TCW-WLA were previously serviced by the relevant Crescent personnel when the Crescent management team was TCW’s leveraged finance group and such persons were employed by TAMCO or TIMCO. Crescent receives significant economic benefits from these arrangements and has a substantial economic interest in TCW-WLA. Activities undertaken by Crescent personnel through Crescent or TCW-WLA are subject to Crescent’s and TCW-WLA’s compliance policies and procedures in order to mitigate any conflicts that may exist as a result of differential pecuniary interests with respect to these Clients.

TAMCO, TIMCO and their affiliates (other than TCW-WLA) are not “related persons” of Crescent Capital Group LP, however they are related persons to certain of the relying advisers.

We have also formed an adviser affiliate, Crescent Credit Europe LLP, an English limited liability partnership (“CCE”), which may provide advice and/or research to us. CCE is authorized to provide advice to Crescent with respect to Client investment from the Financial Services Authority of the United Kingdom.

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Crescent has adopted a Regulatory Compliance Manual (Compliance Manual) that includes a Code of Ethics (the Code) setting forth the standards of ethical and business conduct expected of our personnel and addresses conflicts that may arise from personal trading by personnel. The Code, among other things, requires compliance with the federal securities laws, reflects the fiduciary responsibilities of Crescent and its advisory personnel, prohibits certain personal securities transactions, and requires personnel to periodically report their personal securities transactions and to pre-clear certain securities transactions. The Compliance Manual also addresses certain other potential conflicts of interest including Insider Trading, Gifts and Entertainment, Political and Charitable Contributions, and Outside Business Activities. Pertinent provisions of the Compliance Manual and the Code are discussed below.

A copy of the Compliance Manual including the Code will be provided to any Client, prospective Client or investor upon request, by calling the telephone number on the front of this brochure.

**Transaction Restrictions.** The Code includes restrictions on investment transactions in which Crescent's officers, directors and certain other persons have a beneficial interest to avoid any actual or potential conflict or abuse of their fiduciary position. The Code permits personnel subject to the Code to invest in securities, but contains several restrictions and procedures designed to eliminate conflicts of interest including:

- (a) pre-clearance of non-exempt personal investment transactions;
- (b) quarterly reporting of personal securities transactions and initial and annual reporting of securities holdings;
- (c) a prohibition against personally acquiring securities in an initial public offering, entering into uncovered short sales and writing uncovered options;
- (d) a ten day "black out period" prior to or subsequent to a Client transaction during which portfolio managers are prohibited from making certain transactions in securities which are being purchased or sold by a Client of such manager;
- (e) a prohibition, with respect to certain investment personnel, from profiting in the purchase and sale, or sale and purchase, of the same (or equivalent) securities, within 60 calendar days;
- (f) a prohibition against acquiring any security which is subject to firm wide or investment group restriction;
- (g) a prohibition of the purchase of securities offered in a hedge fund, other private placement or limited offering (other than certain affiliated-sponsored offerings) except with prior approval of designated officers;
- (h) a prohibition of a purchase, without prior disclosure to a designated officer, on behalf of a Client through a private placement of a security of an issuer or its affiliate, if a member of the investment group purchasing the security has a beneficial interest in the issuer or affiliate;

**Parallel Investments.** Crescent may recommend, buy or sell investments in issuers in which it or related persons may also purchase, hold or sell other investments. These investments may be either publicly traded or private placements. Crescent policy establishes various procedures with respect to investment transactions in which Crescent's related persons have a beneficial interest that are designed to reduce the potential for conflicts of interest.

**Investing In Different Classes Of The Capital Structure In Distressed Entities.** Because Crescent has many investment strategies and different portfolio managers operating independently of each other, different managers purchasing and selling securities in the same issuer is not uncommon. Those securities may be of the same class or different classes (and thus different seniorities) of the issuer's capital structure. There may also be instances where portfolio managers invest in one class of an issuer for some Clients and in other classes of the same issuer for other Clients. In the healthy entity situation, those overlaps are not an area of significant concern, because the potential for conflict generally is not substantial, and any strict prohibition would reduce investment opportunities to the detriment of our Clients. This is not the case, however, for a distressed entity where the interests of different Clients may not necessarily be parallel. Crescent has established special procedures that apply when purchasing securities of a distressed entity or when a healthy entity becomes a distressed entity.

A portfolio manager must consult Crescent's Management Partners and Chief Compliance Officer:

- (a) prior to purchasing securities of a distressed entity (whether as an initial holding or subsequent additional instruments) when Crescent otherwise owns securities in such distressed entity,
- (b) upon becoming aware of a potential conflict between two groups or within the same group holding different securities in a distressed entity, or
- (c) upon deciding to take an active role in a workout or restructuring that could create an actual conflict.

**Insider Trading.** The Compliance Manual includes a policy on insider trading that provides generally that no officers, directors or employees of Crescent may:

- (a) buy or sell a security either for themselves or others while in possession of material non-public information about the company, or
- (b) communicate material non-public information to others who have no official need to know.

The policy also provides guidance about what is material non-public information, lists common examples of situations in which Crescent personnel could obtain that information, and describes Crescent's procedures regarding securities maintained on a "Restricted Securities List" and for establishing information barriers. It also identifies parties to contact with questions in connection with the requirements of the policy statements.

Crescent's officers or employees may from time to time be members of the boards of directors of publicly-held companies which may be permitted to make investments in the various investment strategies that we offer. In such cases, Crescent takes the steps described in Item 10, above.

**Restrictions on Gifts and Entertainment; Political and Charitable Contributions; Outside Business Activities.** Crescent has a policy governing gifts and entertainment to identify and mitigate conflicts of interest. The policy includes reporting and approval processes for specific categories of gifts

and entertainment provided to or given by Crescent employees. Additionally, Crescent's policy on political activities and contributions contains rules governing contributions and solicitation, sets forth the responsibilities of individuals for personal contribution limits, requires the pre-clearance of certain contributions to federal, state and local candidates, campaign committees, political parties or other political organizations, and sets rules for political activities on Crescent's premises or using Crescent resources. There is as well a policy governing employees' activities outside of their employment with Crescent, including outside employment, service as director or in a similar capacity, fiduciary appointments, and participation in public affairs and service as treasurer of clubs, houses of worship, and lodges.

**Confidentiality and Reporting.** Crescent's policies require employees to keep the confidentiality of all non-public information regarding the Firm, Clients, Investors, prospects and other employees, and to report illegal activity or activities not in compliance with Crescent's formal written policies and procedures, including the Code.

The Code provides for exemptive relief from certain of its requirements, upon application to and approval by designated personnel. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing in a Client's investment management agreement with Crescent shall in any way constitute a waiver or limitation of any rights which the Client may have under any federal securities laws.

**Principal and Cross Transactions.** It is Crescent's policy to generally avoid principal transactions. In certain cases, however, and subject to each Client's governing documents, Crescent may cause a Client to purchase investments from another Client, or it may cause a Client to sell investments to another Client. Such transactions may create conflicts of interest because the Firm might have an incentive to improve the performance for one Client by selling underperforming assets to another Client in order, for example, to earn Management Fees or a performance allocation from the acquiring Client.

Additionally, in connection with such transactions, Crescent, its affiliates and/or their professionals (1) may have a significant investment, or intentions to invest, in a Fund that is selling and/or purchasing such an investment or (2) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). To address these conflicts of interest, in connection with effecting such transactions, Crescent will, to the extent feasible, use market forces to determine the price at which one Client acquires the investment from another. Crescent does not receive any compensation in connection with a cross trade and cross trades are reviewed by Compliance to confirm that potential conflicts of interest are resolved equitably. Any conflicts of interest may need to be brought to the attention of the applicable Fund's Limited Partners or the Limited Partner's Advisory Board, depending upon the relevant Fund's governing documents.

## **ITEM 12 BROKERAGE PRACTICES**

Crescent seeks to achieve best execution when trading. Other goals include timely, fair and cost effective executions, fairness to Clients, both in priority of order execution and in the allocation of the price obtained in execution of trades, and compliance with Client trading-related mandates and investment restrictions. When appropriate under our discretionary authority and consistent with our duty to seek best execution, we may execute through broker-dealers who provide unsolicited research services. Crescent will have an incentive to use such broker-dealers. In executing fixed income trades, such factors as price (including the applicable dealer spread), size of order, and difficulty of execution are also taken into account. Transactions are not always executed at the lowest available commission or commission equivalent, and we may effect transactions which cause the Client to pay more than another broker-dealer

would have charged if we determine that the additional cost is reasonable in relation to the value of the services provided to Crescent.

**Trading and Brokerage.** Crescent's trading and brokerage policies prohibit the directing of commissions generated from Clients' brokerage transactions to pay for Client referrals, and also prohibit the making of any recommendation that "credit" be given to particular individual brokers within a brokerage firm. Persons responsible for the selection of brokers-dealers to effect the portfolio securities transactions of a fund shall not consider a broker-dealer's promotion or sale of fund shares or interests when making the selection. However, Crescent may, when consistent with these policies and the duty to seek best execution, execute transactions through broker-dealers who also refer clients or place fund shares. We may also, consistent with these policies and the duty to seek best execution, execute transactions through a related person or a broker-dealer in which one of our clients or our related persons have a financial interest.

Occasionally a Client may instruct us to direct a certain amount of trading volume to a specific broker-dealer. Historically, this has been very limited and has not had any significant impact on broker selection. It is our policy to require legal review and review by our compliance department of any such request prior to agreeing to direct transactions. Clients who direct brokerage should understand that, in so doing, they are limiting our ability to choose brokers and dealers on the basis of execution cost and quality, and that directed transactions may be ineligible for inclusion in block trades and may wait behind discretionary trades. This may cost Clients money through increased transaction costs and less favorable prices on executed trades.

**Block Trades and Allocations.** On occasion, Crescent will not be able to purchase or sell all of the loans or securities ordered as part of a block order. If an order is partially filled, Crescent will generally allocate purchases pro rata as described below. Such allocations are based on the sleeve level assets when multi-strategy portfolios are included in the block order. Crescent generally allocates sales pro rata based on holdings, when there is insufficient demand. Only those accounts included in an order are considered for allocation purposes. Participation of an account in an order is based on such considerations as investment objectives, guidelines and restrictions, availability of cash, amount of existing holdings (or substitutes) of the security in the accounts, investment horizon and directed brokerage instructions, if applicable.

Notwithstanding the foregoing, a block order may be allocated on a basis different from the default pro rata allocation (a "Bespoke Allocation"). Reasons for allocating on a basis different from pro-rata may include among others: a Client's investment guidelines and restrictions, available cash, liquidity requirements, tax or legal considerations impacting different accounts, to avoid odd-lots, meet minimum trade lot sizes, or in cases when a pro rata allocation would result in a de minimis allocation to one or more Clients.

**Pro Rata Based on Order Size (Capital Markets):** In an effort to achieve efficiencies in execution and reduce trading costs, Crescent frequently aggregates loans and securities transactions on behalf of a number of Clients at the same time. This is generally referred to as a block trade. When we execute block trades, we allocate trades among accounts using procedures that we consider fair and equitable over time.

Crescent may execute loans and securities transactions alongside or interspersed between block orders when we believe that such execution will not interfere with the block orders or with our ability to execute trades excluded from block orders (e.g., for accounts that direct brokerage or that are managed in part for tax considerations). If multiple trades for a specific investment in the same

direction are made with the same broker during a single day, those investments are allocated to Client accounts based on a weighted average purchase or sale price and costs are apportioned pro rata.

When a Capital Markets strategy is included in an order for purchases and there is insufficient supply, the opportunity is allocated pro rata based on the standard order size (the standard order is the lower of the actual order or the hypothetical order size (as a percentage of assets) that is consistent with the portfolio's investment objectives and customary trade order size). Once the securities are thus allocated, a portfolio manager or investment team may re-allocate to the portfolios within their strategy or Product Group to maintain or equalize portfolio weightings, avoid de minimis allocations or fulfill other investment objectives.

In the case of minimum lot sizes and de minimis allocations, Crescent may round up an allocation to ensure a Client has meaningful exposure to the issuer (typically \$100,000 par for loans) or may remove a Client account from the block order altogether.

In the event that the overall allocation for certain bank loans is insufficient to fill all outstanding orders, Crescent has adopted waterfall procedures specifying the order of allocation. For upper middle market loans (first and second lien tranches less than or equal to 250mm and 200mm, respectively), orders for private high yield strategies are filled first, direct lending strategies are filled next, then all other strategies are filled.

Crescent utilizes a round robin approach for allocating new issues when allocating the new issue among all of the portfolios included in the original order would result in meaningless exposure and potentially excessive transaction fees.

*Pro Rata Based on Assets under Management (Directly Negotiated Loan Strategies):* Generally, Crescent's Private Credit Product Groups manage significantly different investment strategies based on their respective risk profiles, target returns, liquidity needs, sourcing relationships, and investment management agreements of the accounts each Product Group manages. When an investment opportunity is eligible for investment by more than one Product Group, it is normally a core investment to one Product Group (e.g., Mezzanine) and ancillary to the others (e.g., Senior Secured Direct Lending). Core investments to each Product Group are generally not made available to other Product Groups unless a Product Group determines that there is capacity in the opportunity in excess of the Product Group's requirement (excess capacity). A Product Group may, in its sole discretion, offer some, all or none of its excess capacity to one or more other investors, including without limitation, other Product Groups at Crescent, Clients, affiliated and non-affiliated funds or business partners, fund investors, in such proportions as the Product Group deems to be appropriate.

If there is insufficient supply to execute a block order that includes only Directly Negotiated strategies (Mezzanine, Direct Lending, European Specialty Lending, Capital Trust II, and the Crescent Business Development Company) generally the opportunity is allocated pro rata based on assets under management (AUM). For purposes of determining AUM, a fund or portfolio's ability to employ leverage is included in the AUM calculation. Generally, the fund's AUM is estimated based on the total assets expected to be managed once the leverage facility is employed.

The Direct Lending Strategies receive priority allocations for lending opportunities to lower middle market borrowers (issuers with \$35 EBITDA or less).

Follow-On investments, sometimes referred to as "Add-On" investments, are additional investments in an existing portfolio company, frequently for the purpose of follow-on acquisitions, capital expenditures, or other capital infusions. Follow-On investments are allocated to the strategies participating



in the original investment pro rata based on holdings. Once the follow-on investments are allocated, a portfolio manager or investment team may re-allocate to the portfolios within their strategy or Product Group to maintain or equalize portfolio weightings, avoid de minimis allocations or fulfill other investment objectives.

*Pro Rata Based on Available Capital (Co-Investments):* One of Crescent's affiliates currently manages a business development company and Crescent or its affiliates may in the future manage additional business development companies and/or registered closed-end funds (each, a "Regulated Fund"), which are subject to regulation under the Investment Company Act. Crescent and certain of its affiliates were granted an order of exemptive relief by the SEC (the "Order"), which order permits, subject to the compliance with its stated terms and conditions, the Regulated Funds to co-invest with Crescent's other Clients in certain negotiated transactions. This may require allocating such co-investment transactions on the basis of available capital which may result in different allocations to Crescent's other Clients than would otherwise be the case absent the conditions of the Order.

**Co-Investments.** Crescent may in its discretion, but is not obligated to, offer co-investment opportunities to affiliates and/or third parties which it may select in its sole discretion, for investments in a portfolio company either directly or through the formation of one or more co-investment vehicles. Certain co-investors may pay no or reduce fees, including management fees, carried interest and fund administrative fees. In addition, in certain cases, such co-investment vehicles or other co-investors may evaluate a potential investment alongside a Firm-advised Fund. If the potential investment is not consummated, the full amount of any expenses relating to such potential but not consummated investment may be borne entirely by the Firm-advised Fund making such investment, rather than the co-investment vehicle or other co-investor. (But, see disclosure relating to allocation of "broken deal" expenses in Item 5, *supra*.)

**Trade Error Policy and Procedures.** Despite due care in executing transactions for client accounts, from time to time accounts may experience trade errors. Trade errors include a variety of situations where client assets are committed to an unintended trade, such as: a transaction is executed other than in the manner intended (e.g., buy instead of sell or purchase of wrong security or wrong amount of a security); a transaction is executed in a manner that is inconsistent with a client-imposed or regulatory guideline (e.g., exceeding holding limits); a transaction is improperly processed (e.g., purchase in excess of available cash); or a third-party commits an error in connection with the transaction (e.g., broker-dealer delivers incorrect security at settlement).

Crescent seeks to identify and resolve potential trade errors efficiently and in the best interests of its clients. Crescent has adopted written policies and procedures reasonably designed to reduce the risks that trade errors will occur and to identify and mitigate the impact of any trade errors that do occur. In seeking to reduce the likelihood of a trade error occurring, Crescent's policies and procedures include order placement protocols requiring confirmation or sign-off of trade tickets as well as a variety of automated and manual tools to identify potential trade errors during trading and post-trade.

To facilitate efficient correction of trade errors prior to settlement, Crescent may employ an error account in Crescent's name and transfer an erroneous trade to that account while executing any trades necessary to correct the trade error in the Client's account. Gains and losses in the error account are netted on a quarterly basis and net gains are given to a charity of Crescent's choice.

Where possible, potential trade errors which are clerical in nature or which are identified and can be corrected prior to officially booking the transaction into relevant accounting records are corrected through clerical correction such as canceling and rebooking a trade ticket and confirmation to, for example, reallocate a transaction to the correct account.

If a trade error is determined to be a result of Crescent's breach of the applicable standard of care that directly causes a loss to a client, Crescent will take reasonable steps to make the client whole for direct losses. However, in no event will a client be reimbursed for indirect or remote losses such as lost opportunity costs. Where multiple trade errors arise from the same root cause or where multiple transactions are necessary to correct a trade error, Crescent may net gains and losses. If there is a net gain, it will be retained by the client and if there is a net loss, Crescent will reimburse the client in the amount of the net loss.

While Crescent does not use "soft dollars" or promises of future business to induce a broker-dealer to absorb the costs of a trade error to the extent that Crescent was responsible for the trade error, circumstances may arise where a broker-dealer was partially or wholly responsible for a trade error. In these cases, or where another third-party is determined to have been responsible, in whole or in part, for a trade error, Crescent may ask the broker-dealer or other third party to bear part or all of the related costs of correcting the trade error and making impacted clients whole. While Crescent will take reasonable steps to cause the third-party to resolve such a trade error, Crescent shall not be responsible for bearing costs to the extent of a third-party's responsibility. Should the third-party refuse to absorb the costs of correcting such a trade error, Crescent will inform impacted client(s).

Crescent's error policy also addresses the remediation of Net Asset Value (NAV) errors subject to certain materiality thresholds. An NAV error is considered immaterial and will not require retroactive action if the impact on NAV is less than 25bps; if greater than 25bps but less than 50bps, Crescent will determine the total fund loss and total fund benefit during the error period and the fund will be reimbursed for any net loss. If the NAV error is 50bps or greater, Crescent (or the responsible party) will pay individual shareholders for shareholder losses plus any redemption proceeds owned, and the fund for any fund losses due to the error. A NAV error resulting in a loss of less than \$500 to any one shareholder or fund is considered de minimis and need not be made.

**Valuation Policy.** Crescent maintains two Pricing Committees, one for Capital Markets investment strategies (Bank Loans, Private Debt, High Yield, High Income, Private Debt, Collateralized Loan Obligations and the Absolute Return Fund) and another for Alternative investment strategies (Mezzanine Financing, Direct Lending, European Specialty Lending and Special Situations). The Pricing Committees are responsible for, among other things, establishing valuation policies and procedures, periodically reviewing pricing reports and approving fair value recommendations by Product Groups.

Crescent invests primarily in privately-negotiated loans to private middle market U.S. companies as well as more broadly syndicated assets such as bank loans and corporate bonds and also makes investments at other levels of a portfolio company's capital structure, including mezzanine loans or in equity interests. These investments include both liquid and illiquid securities. For liquid investments where market prices are readily available, Crescent values its investments at the current market price. Investments for which reliable market quotations are not available are valued in accordance with the Firm's written policies. Crescent values illiquid investments at fair value as determined in accordance with US GAAP and the Firm's written policies.

Because valuations for illiquid assets, particularly valuations of private securities and private companies, may be based on subjective factors and the interpretation of unobservable inputs, such valuations may fluctuate over short periods of time and may be based on estimates. Our determinations of fair value may differ materially from the values that would have been used if a ready market for these loans and securities existed. Our net asset value for funds and portfolios could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such loans and securities.

### **ITEM 13**

#### **REVIEW OF ACCOUNTS**

Our Accounts are divided among investment professionals according to the investment strategy of the portfolio. Portfolios are typically monitored and reviewed by the investment personnel who handle the strategy on an ongoing basis. The details of the monitoring vary based on the nature of the investment strategy. Separately, our investment operations, compliance and risk functions perform monitoring and review, including daily transaction reviews, for marketable securities strategies. In addition, investment activities for certain alternative investment strategies are reviewed periodically. Participants in the review may include senior portfolio management personnel from the investment strategy as well as members of risk, legal and compliance teams.

Crescent distributes Account statements and financial reports monthly, quarterly or annually as required by each Client's controlling documents. Depending on the type of Client (e.g., open-ended fund, closed-end fund or separate account), account statements typically include beginning and ending market value, contributions, distributions, realized and unrealized gains/losses, and performance net and gross fees. Financial reports typically include statements of assets and liabilities, operations, changes in partner capital, cash flows, schedule of investments, fees, notes, report of independent auditors (on an annual basis) and fund administration information, including service providers and key contacts for the fund. Private fund investors will receive financial statements that comply with the requirements provided in the relevant governing documents.

### **ITEM 14**

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

Crescent periodically pays third parties a fee or compensation for referral of an investor. The third party is required to provide prospective investors with a current copy of Crescent's written disclosure statement and the solicitor's written disclosure statement and Crescent will obtain a signed and dated acknowledgement from each referred investor of the receipt of such disclosure statements, as required by Rule 206-(4)-3 under the Advisers Act. Additionally, Crescent may pay Sepulveda Distributors, its wholly-own limited purpose broker dealer, for the referral by a Registered Representative of an investor in a Crescent Fund for the purpose of Sepulveda Distributors paying a sales commission to such Registered Representative. Clients or investors who are introduced by Sepulveda or a third party solicitor do not have additional advisory fees as a result of the introduction although as discussed in Item 5. Fees are subject to negotiation.

Many of Crescent's investors engage the services of consultants in connection with their investments and investment managers. Compensation paid by Crescent to those consultants would typically be disclosed as indicated by the paragraph above, as required by law. Crescent may also pay from time to time a portion of the cost of conferences, seminars, and other activities Crescent attends that are sponsored by the investors' consultants.

### **ITEM 15**

#### **CUSTODY**

Because Crescent serves as general partner of certain Funds, Crescent is deemed to have "custody" over the Funds within the meaning of Rule 206(4)-2 under the Advisers Act. Each investor in a Fund receives audited financial statements within 120 days following the Fund's fiscal year end. You should review these statements carefully. If you have invested in a Fund and have not received audited financial statements timely, please contact us. Our contact information appears on the cover page of this Brochure.

## **ITEM 16**

### **INVESTMENT DISCRETION**

Crescent has discretionary trading authority for most Clients for which it is the investment adviser. Our investment decisions and advice with respect to Clients' accounts are subject to the Clients' investment objectives and guidelines, as established by the Clients and set forth in the applicable Fund Documents or Investment Management Agreement. Also see Item 4 for a further description of our authority over Client accounts.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

If Crescent has responsibility for voting proxies in connection with its investment advisory duties, or has the responsibility to specify to an agent how to vote the Client's proxies, we exercise such voting responsibilities for our Clients through the corporate proxy voting process. We believe that the right to vote proxies is a significant asset of our Clients' holdings.

In order to provide a basis for making decisions in the voting of proxies for its Clients, Crescent has adopted a proxy voting policy and related procedures. Crescent may use an outside proxy voting service ("Outside Service") to help manage the proxy voting process. All proxy voting and record keeping by Crescent is dependent on the timely provision of proxy ballots by custodians, clients and other third parties. Under specified circumstances described below involving potential conflicts of interest, Crescent may request an Outside Service to help decide certain proxy votes.

**Proxy Voting Philosophy.** Crescent's utmost concern in voting proxies is that all decisions be made in the best interests of the Client, with the goal of maximizing the value of the Client's investments. Crescent may abstain from voting if it deems that abstaining is in its Clients' best interests. Crescent believes that its investment personnel who are primarily responsible for evaluating the individual holdings of Crescent's Clients are in the position to best make proxy voting determinations.

**International Proxy Voting.** There are significant differences between voting U.S. company proxies and voting non-U.S. company proxies. While voting proxies for U.S. companies is relatively easy, voting proxies of non-U.S. companies may be difficult and costly and particular requirements vary from country to country. Therefore, Crescent considers whether or not to vote an international proxy based on the particular facts and circumstances. However, when Crescent believes that an issue to be voted is likely to affect the economic value of the portfolio securities, that its vote may influence the ultimate outcome of the contest, and that the benefits of voting the proxy exceed the expected costs, Crescent will make every reasonable effort to vote such proxies.

Additionally, proxy voting in certain countries involves "share blocking," which limits the Firm's ability to sell the affected security during the blocking period, which can last for several weeks. Crescent generally abstains from voting when share blocking is required because the adverse consequences from being unable to sell a security usually outweigh the benefits of participating in a proxy vote.

**Conflict Resolution.** While it is unlikely that serious conflicts of interest will arise in the context of Crescent's proxy voting because Crescent does not engage in investment banking or the managing or advising of public companies, in the event a material conflict were to arise, Crescent will convene its Proxy Voting Committee which requires a unanimous decision regarding a proxy vote. If the Proxy Committee is unable to satisfactorily resolve the conflict of interest, Crescent will engage an outside proxy voting service or consultant and vote the proxy in accordance with that recommendation.

**Proxy Voting Information.** Upon request, Crescent will provide proxy voting records to its Clients. These records state how votes were cast on behalf of Client accounts, whether a particular matter was proposed by the company or a shareholder, and whether or not Crescent voted in line with management recommendations. Crescent is prepared to explain to Clients the rationale for votes cast on behalf of Client accounts. To obtain proxy voting records or a copy of our proxy voting policies and procedures, please contact Crescent's Compliance department.

**ITEM 18  
FINANCIAL INFORMATION**

Not applicable.