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Part 2A of Form ADV: Firm Brochure  
March 31, 2022

This brochure provides information about the qualifications and business practices of Crescent Real Estate LLC ("Crescent" or the "Firm"). Information provided herein is provided in response to instructions and guidance issued in connection with Form ADV Part 2A. You should refer to those materials, including defined terms used therein, in reviewing this brochure. If you have any questions about the contents of this brochure, please contact Andrew Lombardi by phone at 817-321-2100 or by fax at 817-321-2002. 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.

Additional information about Crescent is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser's registration with the SEC does not imply a certain level of skill or training.

## ITEM 2. MATERIAL CHANGES

Following is a summary of material changes to this Form ADV, Part 2A since March 31, 2021, the date of our last annual updating amendment:

- We updated our regulatory assets under management as of December 31, 2021. **See Item 4.**
- We made various additions, revisions and updates to risk factor disclosure as set forth in **Item 8.**
- We provided disclosure regarding Mr. Goff's role as Chairman of the Board of Crescent Energy Company. **See Item 10.**

*The information set forth in this brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering and/or governing documents, such documents will control. We encourage all clients and investors to carefully review this document in its entirety.*

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\* The SEC requires all investment advisers to organize their disclosure documents according to the specific categories listed above, some of which may not pertain to Crescent's business. When a required category is not relevant to our business, we list the category and state that it does not apply.

## ITEM 4. ADVISORY BUSINESS

### *Description of the Adviser*

Crescent Real Estate LLC ("Crescent") is an investment adviser organized as a Delaware limited liability company. Crescent previously conducted its business under the names of Goff Capital Partners, L.P. and GMSP Operating Partners, LP. Crescent was formed, and has been providing investment advisory services, since February 26, 1998. Crescent is owned by three members: JCG 2016 Holdings, LP (which is primarily owned by John Goff), Conrad Suszynski, and Jason Anderson and is governed by a board of managers. John Goff, Conrad Suszynski and Jason Anderson are the managers of Crescent.

Crescent was formed by John Goff on February 26, 1998 under the name GMSP Operating Partners, LP to serve as the investment advisor to Goff Moore Strategic Partners, L.P. ("GMSP") with a broad investment mandate to invest in a range of public and private investments. Conrad Suszynski and Jason Anderson joined the Firm as managing principals and investors in 2006 and 2016, respectively. In 2007, GMSP Operating Partners, LP changed its name to Goff Capital Partners, L.P. and again (through a merger) to Crescent Real Estate LLC in 2016.

### *Description of Advisory Services*

Crescent provides investment advisory services utilizing several different strategies and types of investment vehicles. Asset types that Crescent has invested in include bank loans, high yield credit, distressed debt, structured products, real estate assets, and long/short equities. Crescent serves or may serve as an investment adviser to investment funds, structured product vehicles and proprietary entities that are exempt from registration under the Investment Company Act of 1940, as amended (the "1940 Act"), and whose securities are not registered under the Securities Act of 1933, as amended (the "Securities Act") (each, a "Fund" or "Client" and collectively, the "Funds" or "Clients"). As the investment adviser to the Funds, Crescent's services consist of identifying opportunities and acquiring, managing, monitoring, and disposing of investments of the Funds. Investment advice is provided directly to the Funds, subject to the discretion and control of the general partner or the board of directors of the applicable Fund. Advice is not provided individually to the limited partners or shareholders of the Funds.

Crescent Real Estate LLC ("Crescent") manages general partner ("GP") funds (the "GP Invitation Funds") and other investment and co-investment entities ("Side Cars") that invest in underlying joint venture ("JV") real estate projects. Crescent also serves as the manager or GP for the JV entities. All such entities are reported as private funds in Form ADV and Form PF and are referred to collectively throughout this brochure as "Funds". Crescent typically enters into investments and investment management arrangements with capital sources by documenting the expected business in the specific relationship in a written agreement. Each such arrangement is unique, frequently reflecting the type of assets to be acquired, target returns, compensation, expected life of the investments and relationships, degree of exclusivity and dedicated resources to the particular arrangement. Crescent may invest for more than one entity at the same time, but in the past has committed to various degrees of exclusivity for the active Fund(s). Where a Fund has a narrowly

defined focus, Crescent typically only actively invests in targeted investments on behalf of that Fund, while continuing to manage the investments of all of our Funds to maximize returns. Crescent will organize additional investment funds to those currently managed that will co-invest with the Funds or follow an investment program similar to or different from the Funds' program.

Services are provided to the Funds in accordance with the asset management agreements with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund.

We provide investment advisory services solely with respect to the Funds, and no investor in any such Fund should look to us or our affiliates for advice regarding its own investment decisions, including any decision to invest in a Fund. We generally treat the Funds, and not their investors as “clients” for purposes of the Advisers Act and any other applicable laws and regulations, to the extent permitted under such laws.

Certain of the Funds and their general partners or managing member have entered into, and may from time to time in the future enter into, side letter agreements or other similar agreements or arrangements (commonly referred to as “side letters”) with certain investors in such Fund that have the effect of establishing rights or terms and/or otherwise benefitting such investors in a manner that is more favorable in various material respects than the rights and benefits established in favor of other investors pursuant to the applicable governing documents. Such rights or benefits in any side letter or similar agreement may include, differences in fees or carried interest, investment or co-investment rights, enhanced reporting or other provisions. Certain investors that have the benefit of “most favored nation” protection are given the opportunity to elect the rights and terms in any side letter or other similar agreement that are applicable to such investors.

#### *Client Assets Managed*

As of December 31, 2021, Crescent had approximately \$4,861,383,468 in regulatory assets under management as follows. We have excluded assets and commitments of any funds that are invested in another Fund we manage to avoid double counting.

Figures are in US\$ thousands

	<b><i>Discretionary</i></b>	<b><i>Non-Discretionary</i></b>	<b><i>Total</i></b>
<b><i>Total Assets Under Management</i></b>	<b><i>\$2,655,394,300</i></b>	<b><i>\$2,205,989,168</i></b>	<b><i>\$4,861,383,468</i></b>

## ITEM 5. FEES AND COMPENSATION

As provided under the governing documents of each applicable Fund, Crescent or its affiliates receive from the Funds an asset management fee and/or a profits interest, in addition to other fees as necessary and agreed to (including but not limited to servicing fees, administrative fees, and real estate acquisition fees). Although Crescent has entered into agreements with the Funds providing for these fees, Crescent and the general partner of the applicable Fund negotiate alternative fees on a case-by-case basis with other funds or separate account clients that they manage. The facts and circumstances of each Fund will be considered in determining the fees received by Crescent as compensation for advisory services, including the Client's investment strategy, assets under management, account composition, reporting requirements, and any other factors that Crescent deems relevant. All such fees will be set forth in a written agreement with each Client.

### MANAGEMENT FEES

As compensation for advisory services to these Clients, Crescent generally charges a management fee of up to 2.0% annually of contributed equity or committed capital, a flat fee, or a fee based on gross revenue, to cover overhead, in each case calculated and payable quarterly or monthly, either in advance or arrears. Fees are deducted from Client assets or billed directly to the Client, as provided by each Client's asset management agreement. Any such management fees are negotiated during the development of each Fund's management agreement. In some cases, Crescent or its affiliates may be compensated by receiving an additional equity interest in a Fund in lieu of management fees or cost reimbursement.

### PERFORMANCE FEES

Crescent may also receive a performance incentive fee through a profits interest, which (i) may range from 10% to 55% of profits earned, (ii) may be payable after the achievement of a hurdle rate and/or return of capital, and (iii) may or may not be contingent on the manager of the applicable Fund eclipsing a high-water mark. In some cases, certain Clients pay a different fee than others based on the terms of their agreement with Crescent.

### OTHER COMPENSATION

As disclosed in Fund governing documents and agreements, Crescent or its related persons receive additional compensation or other pecuniary benefits due to the nature of our business. Examples of such additional compensation include property leasing commissions, asset management fees, development fees, property management fees, real estate acquisition/disposition fees, construction supervision fees, and directors' fees, IT service reimbursement, in-house legal fees, or other expense reimbursements by our portfolio companies of which our managers are directors. On occasion, Crescent or an affiliate serves or may serve as the developer or property manager for other real estate projects for which the Firm does not act as an investment adviser and in which neither the

Firm nor the Funds has an ownership interest. The Firm or an affiliate receives or will receive a fee for such services. Such activities are further discussed in Item 10 below.

#### OTHER EXPENSES

In addition to management compensation, consistent with Fund governing documents, each Fund bears the expenses of its organization and the offering of its interests (including legal and accounting fees, printing costs, travel, and out-of-pocket expenses) and operations. Additionally, each Fund bears all costs and expenses directly related to its investment programs including expenses incurred in the identification, evaluation, acquisition, ownership, sale, hedging or financing of any investment or potential investment, including expenses incurred in evaluating potential investments that are ultimately not pursued (“dead deal costs”). The Funds may pay expenses directly or indirectly and may reimburse Crescent for eligible Fund expenses, including commercial, business class, first class or private travel expenses.

A specific description of fees and expenses charged to a Client is contained in the agreements and offering documents for such Client.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As disclosed above in Item 5, Crescent or an affiliate may receive a profits interest, which is based on the performance of the applicable Fund and which is payable to an affiliate of Crescent. Crescent does not currently manage any accounts that are charged hourly or flat fees, other than those disclosed in Item 5, related to performance, but may choose to do so from time to time in the future.

### **CONFLICTS OF INTEREST**

Crescent simultaneously manages Funds with performance-based fees and others without performance-based fees. This presents a conflict of interest for Crescent to the extent that it gives Crescent a financial incentive to favor one Fund over another.

Crescent controls this conflict by structuring the fee arrangements with each Fund based upon the expected business of each Fund. Each such arrangement is unique, frequently reflecting the type of assets to be acquired, target returns, compensation, expected life of the investments and relationships, degree of exclusivity and dedicated resources to the particular arrangement. Crescent invests for more than one entity at the same time but in the past has committed to various degrees of exclusivity for the active Fund(s).

Crescent has entered into investment management relationships from time to time where exclusivity of investment sourcing is a key term of the relationship. Prior to entering into these relationships Crescent provides full disclosure of other existing restrictions from other relationships which may affect Crescent's ability to invest in certain geographic markets or property types or asset types. These restrictions are usually defined as limiting Crescent's ability to acquire assets or properties that compete with existing properties within a five-mile radius or in properties explicitly identified as within an existing investment's competitive set.

From time-to-time Crescent offers certain rights to investors to be shown transactions and have a right of first offer before the investment opportunity is shown to other potential or existing investors ("ROFO"s). The Chief Financial Officer will maintain a current list of the details of each such restriction including ROFOs, and those properties and geographies where competitive restrictions exist. The existence of these ROFO's will be disclosed to any client where Crescent has an exclusivity arrangement or has a client capital commitment with discretionary investment decision making authority.

More detailed information can be found in the sections titled "Fees and Expenses" and "Brokerage and Custody" in each Fund's offering materials.



## **ITEM 7. TYPES OF CLIENTS**

Our current Clients include unregistered investment funds, structured product vehicles, and proprietary entities. Investors in the Funds are qualified purchasers and/or qualified clients. Investment advice is provided directly to the Funds, subject to the discretion and control of the general partner or the board of directors of the applicable Fund. Crescent does not individually advise any of the investors in the Funds. Interests in the Funds are offered pursuant to applicable exemptions from registration under the 1940 Act and the Securities Act.

The majority of our Funds do not have a minimum initial investment and investments are made at the discretion of the general partner of each applicable Fund. In certain Funds, the stated minimal initial investment is \$2 million; however, the general partner reserves the right to allow exceptions to the minimum investment amount. Crescent does not have a minimum size for a Fund.

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

The items below are types of investment strategies we pursue, although we may pursue all or a portion of these strategies depending upon the circumstances and based on various factors, including macro-economic conditions.

### **INVESTMENT STRATEGIES**

#### *Real Estate Strategy*

Crescent seeks to produce appropriate risk-adjusted returns by investing in properties, portfolios, operating platforms and companies that need capital. Crescent invests directly with partners that have expertise in their local markets. Crescent's financial resources, structuring expertise, management capabilities and industry relationships may enhance the operating and financial performance of the assets held by a Fund. Crescent will seek to produce target returns and improve the operational performance and capitalization of investments through active asset management while preserving downside protection. Crescent generally implements a fundamental value-based approach to all investments. This approach includes keeping a consistent view and focus on the expected value of real estate assets and cash flows in a stable and balanced market in order to identify opportunities to acquire assets when below this level and liquidate holdings when above. Critical to performance is understanding and analyzing economic, financial, demographic and social factors impacting real estate supply and demand in local markets. Crescent approaches opportunities with a comprehensive view of individual and macro factors which are likely to impact the valuation of the asset relative to other real estate or financial assets.

Crescent pursues investment opportunities in instances where it perceives compelling value and frequently can improve returns with aggressive asset management. Crescent will institute and undertake a proactive asset management program, customized for each investment, and will generally seek to ultimately secure a controlling interest over major investment decisions, including financing, capital expenditures, disposition, annual business plans and budgets, as well as the selection of third-party service providers.

Crescent's investments seek to ensure an alignment of interests between the Funds and any property-level operating partners or management teams, by creating a transaction structure that shares risk on the downside and adequately incentivizes the partners or managers at the property-level on the upside.

Reflecting Crescent's comprehensive due diligence process and the investment expertise of its investment professionals, each transaction will be reviewed to analyze risk factors, contingency plans, and potential exit scenarios, as Crescent believes that an understanding of the downside associated with each investment is integral to ensuring appropriate investment decisions are made. Extensive financial analysis will be prepared and focus on "what-if" scenarios to understand, price and structure and mitigate risk, and Crescent will

seek to ensure it is adequately managing risk from each investment's acquisition through to exit.

#### *Special Situations Strategy*

Crescent's special situations strategy employs directional, capital structure arbitrage, relative value, and event-driven investment strategies across various credit and equity markets where Crescent holds significant investment experience, primarily the commercial real estate distressed, leveraged loan, high yield and structured debt markets, as well as, preferred and common equity markets. Crescent also utilizes an investment approach to exploit relative value and arbitrage opportunities within these markets. The objective is to maintain low correlation to the broader equity and bond markets, as well as other alternative investment strategies, and to maximize risk-adjusted returns on capital. Crescent also looks to implement selected trading strategies to exploit pricing inefficiencies across the credit markets and within each Fund's capital structure.

#### *Private Equity Strategy*

Crescent seeks to make investments in operating companies through acquisitions and restructurings. In evaluating potential portfolio companies, Crescent conducts due diligence to analyze, among other things, the company's market and competitive position within that market, the company's cost and revenue structures, the company's assets, such as brand strength, distribution capability and intellectual property, the company's management team and compensation structure, the company's contingent liabilities (environmental, regulatory, accounting or otherwise), the company's potential growth opportunities and potential exit strategies.

#### *Structured Finance Investments*

Crescent invests in various structured finance instruments, including asset-backed securities, collateralized loan obligations and collateralized debt obligations; and swaps (including total rate of return swaps) whose rates of return are determined primarily by reference to the total rate of return on one or more loans referenced in such instruments. The rate of return on the structured finance instrument may be determined by applying a multiplier to the rate of total return on the reference loan(s). Application of a multiplier is comparable to the use of financial leverage, a speculative technique. Leverage magnifies the potential for gain and the risk of loss, because of a relatively small decline in the value of a reference loan could result in a relatively large loss for the value of a structured finance instrument. Please see the risk factors below relating to leverage.

### **METHODS OF ANALYSIS**

Crescent utilizes fundamental and technical analysis methods in evaluating targeted investments.

Crescent and the board of directors and/or general partner of the applicable Fund oversee the execution of the Fund's investment strategies by: (i) identifying unique investment opportunities with experienced partners and management teams, (ii) executing a comprehensive due diligence process, (iii) structuring investments in an efficient and

flexible manner, (iv) implementing the appropriate business plans for each asset, (v) applying strong portfolio management, and (vi) maintaining and aggressively exploiting diverse exit options. A description of Crescent's investment process is provided below.

#### *Investment Sourcing*

Crescent has broad relationships across the real estate finance, development, investment, operations, and management communities. Crescent anticipates that these relationships will generate a substantial flow of investment opportunities, many of which will involve the restructuring of assets, portfolios, operating platforms and companies.

#### *Investment Underwriting*

The underwriting process will involve collecting in-depth information about the investment's characteristics, market, competitors and include a forecast of expected future performance. Crescent may rely on outside advisors and/or consultants to opine on legal, engineering, environmental, and political risk factors germane to the underwriting process. The process is frequently characterized by a series of ongoing collaborative discussions and debates among the members of the Crescent investment team, with a fundamental philosophy of seeking to challenge or disprove any proposed investment thesis. Crescent's investment team has significant experience in most major property markets and employs a highly analytic, disciplined and value-driven approach. The Crescent team endeavors to avoid confirmation bias by actively seeking divergent views and non-conforming facts.

#### *Investment Committee*

Certain of our Funds have an investment committee, which is responsible for approving each investment by the corresponding Fund. The committee is comprised of senior members of Crescent, each with substantial principal investment experience, and may also contain a representative of a Client or Clients who may or may not have voting rights. A formal investment committee memorandum is prepared and presented to the investment committee of the applicable Fund for final approval of each investment.

#### *Asset Management*

Crescent will be actively engaged in the strategic asset management decisions that drive value, namely operating and business plans and budgets, capital expenditures, leasing, repositioning, financing, refinancing and exit. Crescent will institute and undertake a proactive asset management program customized to the nature, structure and characteristics of each investment and the expertise and capabilities of each operating partner or management team at the property-level. Because the real estate and financial markets are highly volatile, Crescent anticipates variances from this plan as investments season, and accordingly, asset management programs and exit strategies will remain flexible and will be adapted to changing market dynamics, the macro-economic environment, capital markets, and local real estate fundamentals.

#### *Exit Options*

Ideally, Crescent seeks investments with multiple identifiable exit strategies. In the case of real property these may range from simple property sales to public capital markets transactions. Liquidating transactions may include single asset sales or portfolio sales to

individual buyers, private investment funds, publicly held companies or institutional investors. Entity or platform level investments secured by underlying real estate offer an additional exit strategy through a sale of the company as a whole. Consideration received as a result of an exit may include cash, restricted and unrestricted securities of publicly or privately held companies or partnership interests in new ventures. Financial instruments and securities will typically be sold through a competitive process with broker dealers, but direct placements to end investors is also possible.

## RISK OF LOSS

The investment strategies for each Fund involve a high degree of uncertainty. The possibility of partial or total loss of capital will exist in connection with such strategies, and investors should not invest unless they can readily bear the consequences of such loss. The following risk factors are generally applicable to Crescent's Clients. However, additional risk factors, including risk factors that are specific to a particular Fund's investment strategy, are described in each Fund's private placement memorandum, subscription agreement, or risk disclosure statement.

### *No Assurance of Investment Returns*

Crescent cannot assure Clients that investments will generate returns or that returns will be commensurate with the risks of investing in the type of companies and transactions that fall within each Client's individual investment objectives.

### *Epidemics, Pandemics, and Public Health Issues*

Our business activities as well as our Funds and their operations and investments could be adversely affected by the outbreaks of epidemics in China and globally, such as Coronavirus, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Specifically, Coronavirus, or COVID-19, has spread rapidly around the world since December 2019 and has negatively affected the global economy, certain sectors of the real estate market, and the stock market. Although the ongoing and long-term effects of coronavirus cannot be predicted with certainty, the pandemic to date, as well as previous occurrences of other pandemic and epidemic diseases, such as H5N1 and H1N1, have had an adverse effect on the economies of the United States and other countries in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the business, financial condition and operations of us and our clients. Should these or other major public health issues, including pandemics, arise or spread farther, we and our clients could be adversely affected by more stringent travel restrictions, additional limitations on the Firm's operations or business and governmental actions limiting the movement of people between regions and other activities or operations.

### *Force Majeure & Catastrophic Risks*

The Firm and the Funds may be subject to operational risk from unforeseeable and uncontrollable catastrophic events, including fires, floods, earthquakes, adverse weather conditions and related power outages, water shortages or other damage caused by such

events, changes in law, eminent domain, wars, riots, terrorist attacks, and other similar risks, which may be uninsurable or insurable at rates that the Firm deems uneconomic. These events could result in loss and litigation, among other potentially detrimental effects. In February 2022, armed conflict escalated between Russia and Ukraine and Russia invaded Ukraine. In response to Russia's invasion of Ukraine, the United States, the European Union and various other countries have announced, and continue to announce and expand, sanctions against or targeting Russia and various important Russian people and companies. These sanctions currently include, among others, restrictions or bans on selling or importing goods, services or technology in or from Russia, bans on Russian energy imports, and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. The U.S. and other countries could impose wider or more significant sanctions and take other actions against Russia or its interests should the conflict further escalate or deteriorate. The Ukraine-Russian conflict has led to, and may continue to lead to, significant political, geopolitical, economic and market turmoil and volatility, including dramatic increases in oil and gas prices and further supply chain disruptions. It is not possible to predict the broader consequences of this conflict or the sanctions imposed or applied as a result thereof, which could include further sanctions, embargoes, regional instability, geopolitical shifts, conflicts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact the Funds' or any portfolio investment's business, financial condition and results of operations.

#### *General Economic and Market Risks*

The Funds and their investments may be materially affected by market, economic, political and social conditions globally and in the jurisdictions and sectors in which they invest or operate, including factors affecting interest rates, the availability of credit, currency exchange rates, inflation risk, supply chain disruptions, sanctions, and trade barriers. These factors are outside the control of Crescent and could adversely affect the liquidity and value of the Funds' investments, and may reduce the ability of the Funds to make attractive new investments or extend the time for the Funds to be able to acquire or dispose of investments objectives. The capital markets have experienced great volatility and financial turmoil, including, without limitation, following the COVID-19 outbreak and the recent outbreak of war between Russia and Ukraine. Since 2008, there have been significant and well-publicized dislocations in the market for collateralized debt obligations, structured product securities, bank loans and other fixed income instruments. Such market changes include, but are not limited to, increased delinquencies and defaults in residential and commercial mortgage backed securities, With greater economic risks to these assets and disruption in the international capital markets significant changes in credit spreads, an increased rate of downgrades of rated securities, and significantly reduced liquidity for assets similar to the Funds may result in steep reductions in the market value or a lack of verifiable market quotes for assets that Funds may buy. It could result in an inability of Funds to divest assets to meet short term liquidity demands. Such changes may materially and adversely affect the performance of a Fund's portfolio investments. The entire market or particular instruments traded on a market may decline even if earnings or other factors improve,

inasmuch as the prices of such instruments are subject to numerous economic, political, psychological and other factors that have little or no correlation to the performance of a particular company.

#### *Inflation Risk*

Client accounts are exposed to the risk that the value of the portfolio assets or income will decrease as inflation shrinks the purchasing power of a currency.

#### *Hedging*

A Fund may elect to hedge against market movements or the credit or other risks of any particular portfolio investment, whether by means of a derivative or other financial product or instrument. To the extent that a Fund engages in certain hedging transactions, there can be no assurances that such hedging, even if undertaken, will insulate such Fund from risks, and hedging techniques (whether via a derivative or other product or instrument) may give rise to certain costs and additional risks, including a risk of the total loss of any amounts invested in hedging instruments.

Crescent utilizes financial instruments both for investment purposes and for risk management purposes in order to (1) protect against possible changes in the market value of a Client account resulting from fluctuations in the markets and changes in interest rates, (2) protect the unrealized gains in the value of a Client account, (3) facilitate the sale of any such investments, (4) enhance or preserve returns, spreads or gains on any investment in a Client account, (5) hedge against a directional trade, (6) hedge the interest rate or credit on any financial instruments, or (7) act for any other reason Crescent deems appropriate. For a variety of reasons, Crescent may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such situations may prevent a Client from achieving the intended hedge or expose a Client to risk of loss. It should be noted that a Client account will be exposed to certain risk that cannot be hedged.

#### *Regulation & Enforcement; Litigation*

The Funds are subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing capital markets and real estate related debt investments, including tax laws and regulations, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting portfolio investments, the profitability of investments, and the costs of operating the Funds. Additional regulation could also increase the risk of third-party litigation.

#### *Risks Inherent to Real Estate Market*

The Funds will primarily invest in debt and equity investments related to real estate. Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of the Funds' investments. The performance and value of a Client's investments once acquired depend upon many factors beyond such Fund's control. The ultimate performance and value of a Client's investments are subject to the varying degrees of risk generally incident to the ownership and operation of the properties in which the Fund will invest and which collateralize or support its investments. The ultimate performance and value of a Client's investments depend upon, in large part, such

Fund's ability to operate each investment, so that it produces sufficient cash flows necessary either to pay the interest and principal on debt used to finance the Fund's investments or pay the Client as an equity investor. Revenues and cash flows may be adversely affected by:

- changes in national or local economic conditions;
- changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics;
- competition from other properties offering the same or similar services;
- changes in interest rates and in the state of the debt and equity capital markets;
- the ongoing need for capital improvements, particularly in older building structures;
- changes in real estate tax rates and other operating expenses;
- adverse changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war or terrorism, and pandemics (such as the COVID-19 pandemic) which may decrease the availability of or increase the cost of insurance or result in uninsured losses, as well as change the need for certain types of real estate;
- adverse changes in zoning laws;
- the impact of present or future use and occupancy regulations, environmental legislation and compliance with local use and environmental laws;
- the impact of lawsuits which could cause the Funds to incur significant legal expenses and divert management's time and attention from the day-to-day operations of the Funds; and
- other factors that are beyond the Fund's control and the control of the property owners.

#### *Tenant Credit Risk*

A Fund may invest in properties in which tenant leases will generate a significant portion of the Fund's revenue. As a result, any such Fund is subject to the credit risk of their tenants. In particular, local economic conditions and factors affecting the industries in which the Fund's tenants operate may affect the tenants' ability to make lease payments. In the event that the Fund's tenants default on their leases and fail to make rental payments when due, there could be a significant decrease in the Fund's revenues. This loss of revenues could adversely affect the Fund's profitability and its ability to meet their financial obligations. In addition, a Fund may be unable to locate replacement tenants in a timely manner or on comparable or better terms if tenants default on their leases.

#### *Borrower or Issuer Credit Risk*

Crescent may engage in transactions on behalf of Clients in securities and financial instruments that involve counterparties that, under certain circumstances, could default in their obligations, or the market for certain securities and/or financial instruments may become illiquid. There is a risk that the loan borrower or issuer of a fixed income security will be unable to make timely principal and interest payments. Crescent may invest on the behalf of certain Clients in securities rated below investment grade, which means that such securities are predominantly regarded as speculative with respect to the issuer's continuing



ability to meet principal and interest payments. Securities are subject to varying degrees of credit risk, which may be reflected in ratings should they be assigned by commercial rating companies.

#### *Lack of Liquidity of Investments / Illiquid Securities*

Crescent may cause a Fund to invest in a security that is illiquid. This could present a problem in realizing the prices quoted (selling a bond at or near its true value) and in effectively trading the position(s). The primary measure of liquidity is the size of the spread between the bid price and the offer price quoted by a dealer. The greater the dealer spread, the greater the liquidity risk. Liquidity risk is less relevant for investments that are intended to be held until maturity. Lack of liquidity means Crescent may not be able to sell such investments at prices that reflect Crescent's assessment of their value or the amount paid for such investments. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by Crescent and other factors. Furthermore, the nature of Crescent's investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

#### *Illiquid Real Estate*

Real estate investments are relatively or highly illiquid. Such illiquidity may limit the ability of a Fund investing in real estate related assets to vary their investment portfolios in response to changes in economic and other conditions.

Illiquidity may result from the absence of an established market for investments as well as the legal or contractual restrictions on their resale. In addition, illiquidity may result from the decline in value of a property comprising a Fund's investments. Crescent cannot assure a Fund that the fair market value of any property held by that Fund will not decrease in the future, leaving any of such Fund's investments relatively illiquid.

Investments in publicly-traded companies (including publicly-traded real estate investment trusts or "REITs") may also be subject to legal or contractual restrictions on sale, including the possibility that the general partner of a Fund, on behalf of the Fund, will be in possession of material non-public information about any such publicly-traded company. In addition, the ability to exit an investment through the public market will depend on market conditions, and particularly the market for initial public offerings. The possibility of partial or total loss of capital will exist. Furthermore, the Funds may invest in loans with maturity dates that are later than the dates such Funds are expected to terminate. As a result, a Fund may have to sell, distribute or otherwise dispose of its investments at a disadvantageous time as a result of dissolution.

#### *Leverage*

Funds borrow and utilize various other forms of leverage, and generally expect to operate with a significant leverage ratio. Although leverage presents opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the total return of the leveraging Fund will decrease. Accordingly, any event which adversely affects the value of a portfolio investment would be magnified to the

extent a Fund is leveraged. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to the Fund's investments, or in the event portfolio investments experience credit quality deterioration, could result in a substantially greater loss to the Fund than if the Fund had not been leveraged. In addition, contractual demands by lenders to a Fund to reduce its leverage may force such Fund to sell investments on an emergency basis at prices less than those obtainable in a more orderly liquidation. To the extent that a creditor has a claim on a Fund, such claim would be senior to the rights of an investor in the Fund. As a result, if a Fund's losses were to exceed the amount of capital invested, an investor could lose its entire investment.

#### *Financing Arrangements*

To the extent that a Fund enters into financing arrangements in the future, such arrangements may contain provisions that expose it to particular risk of loss. For example, any cross-default provisions could magnify the effect of an individual default. If a cross-default provision were exercised, this could result in a substantial loss for the Fund. Also, Funds may, in the future, enter into financing arrangements that contain financial covenants that could require them to maintain certain financial ratios. If a Fund were to breach the financial covenants contained in any such financing arrangement, it might be required to repay such debt immediately, in whole or in part, together with any attendant costs, and the Fund might be forced to sell some of its assets to cover such costs. The applicable Fund might also be required to reduce or suspend distributions or dividends to stockholders, as applicable. Such financial covenants would also limit the ability of the applicable Fund to adopt the financial structure (e.g., by reducing levels of borrowing) which it would have adopted in the absence of such covenants. In addition, pursuant to the partnership agreements of certain Funds, the general partner of the Fund is permitted to pledge the capital commitments of the limited partners of the Fund to secure financing arrangements for the Fund. The limited partners of the Fund may be required to honor their capital commitments to permit the Fund to pay debt rather than to make investments.

#### *Environmental Liability*

The Funds may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Through its interest in real estate, a Fund may be subject to a wide range of environmental, health and safety laws, ordinances and regulations, including, without limitation, those relating to the investigation, removal, and remediation of past or present releases of hazardous or toxic substances. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard as to whether the owner or operator knew of, or caused, the presence or release of such substances. Environmental liabilities are generally not limited under such laws and could exceed the value of the relevant property and/or the aggregate assets of the responsible party. The presence of such substances, or the failure to properly remediate related contamination, may adversely affect the marketability of the real estate or the value of such property as collateral, which could have an adverse effect on returns on investments. In addition, some environmental laws create a lien on contaminated property in favor of the

government for costs it incurs in connection with the contamination. In addition to clean-up actions brought by governmental agencies and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs. Moreover, the ability of a Fund to insulate itself against any such environmental liability through the performance of environmental due diligence of the nature customarily performed in the U.S. may be limited in certain foreign countries.

It is Crescent's practice to obtain and rely upon the analysis of third-party experts in the field of environmental matters. We select from recognized regional and national firms when hiring environmental consultants and avoid investing where environmental risks are present.

#### *Investments in Non-Performing Assets*

The Funds may make investments in nonperforming or other troubled assets that involve a high degree of financial risk. Investments in properties which require restructuring or workouts or operating under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of a Fund's original investment. In addition, under certain circumstances, payments to a Fund or distributions to a Fund's limited partners may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law. Furthermore, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt or as equity contributions.

#### *Investments in Distressed Assets*

Crescent may invest in distressed assets on behalf of one or more of the Funds. Debt obligations and other securities of distressed companies will by their nature relate to companies in unstable financial condition and entail substantial inherent risks. Consequently, many of these companies will likely have significantly leveraged capital structures, making them highly sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Distressed investing also involves significant expenses of legal counsel, experts, consultants and other third parties.

#### *Investments in Equity Securities*

Investments in public equities are subject to the risk that stock prices will fall over short or long periods of time. In addition, common stock represents a share of ownership in a company, and rank after bonds and preferred stock in their claim on the issuer's assets in the event of bankruptcy.

### *Investments in Foreign Securities*

We may invest Client assets in securities of companies domiciled or operating in one or more foreign countries. Investing in foreign securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the U.S., including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, foreign currency risk, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in foreign securities. Higher expenses may result from investment in foreign securities than would from investment in domestic securities because of the costs that must be incurred in connection with conversion between various currencies and foreign brokerage commissions that may be higher than in the U.S. Foreign securities markets also may be less liquid, more volatile and subject to less governmental supervision than in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

### *Investments in Structured Finance Instruments*

Crescent may cause Clients to invest in structured finance instruments. A portion of leveraged loans, high yield debt securities, structured finance instruments and synthetic securities (collectively, the "Collateral Debt Obligations") may consist of equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Structured finance instruments may present risks similar to those of the other types of Collateral Debt Obligations in which the Client may invest and, in fact, such risks may be of greater significance in the case of structured finance instruments. Moreover, investing in structured finance instruments may entail a variety of unique risks, including prepayment risk. In addition, the performance of a structured finance instrument will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

### *Investments in Synthetic Securities*

Crescent may cause its Clients to invest in synthetic securities. In addition to credit risks associated with holding non-investment grade loans and high yield debt securities, with respect to synthetic securities, Crescent or its Clients will usually have a contractual relationship only with the counterparty of such synthetic securities, and not the obligor on a reference obligation (the "Reference Obligor"). Such agreement generally stipulates that Crescent, an affiliate of Crescent or its Client will have no right to directly enforce compliance by the Reference Obligor with the terms of the reference obligation (defined herein as the debt security or other obligation upon which the synthetic security is based), nor any rights of set-off against the Reference Obligor, nor have any voting rights with respect to the reference obligation. In addition, in the event of insolvency of the

counterparty, the Client will be treated as a general creditor of such counterparty, and will not have any claim with respect to the reference obligation. Consequently, the Client will be subject to the credit risk of the counterparty as well as that of the Reference Obligor. As a result, concentrations of synthetic securities in any one counterparty subject the notes to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. Crescent may not perform independent credit analyses of the counterparties, any such counterparty, or an entity guaranteeing such counterparty, individually or in the aggregate.

#### *Investments in Secured Loans*

Senior, subordinate, and mezzanine secured loans have significant credit risks and material losses may occur. As with other debt obligations, claims and collateral may be difficult to enforce in the event of a default. No assurance can be made that full or significant recovery of principal and/or interest will be received or that any collateral recovered will be marketable or sufficient.

#### *Derivatives Risk*

Derivatives, such as futures and options, are subject to the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. Derivatives also expose a Fund to the credit risk of the derivative counterparty. Derivative contracts may expire worthless and the use of derivatives may result in losses to the Fund.

#### *Market or Interest Rate Risk*

The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities fall. If a Client holds a fixed income security to maturity, the change in its price before maturity will have little impact on the Client's performance. However, if the Client has to sell the fixed income security before the maturity date, an increase in interest rates may result in a loss. Senior secured bank loans generally pay interest at rates that are determined periodically by reference to a base lending rate plus a premium. These rates often are re-determined either daily, monthly, quarterly or semi-annually. Recently, domestic and international markets have experienced a period of acute stress starting in the real estate and financial sectors and then moving to other sectors of the world economy. This stress has resulted in unusual and extreme volatility in the equity and debt markets and in the prices of individual investments. These market conditions could add to the risk of short-term volatility of investments.

#### *Valuation of Portfolio Investments*

From time to time, special situations affecting the valuation of the investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Fund) could have an impact on the value of a Client's investment, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. Generally, Crescent is not required to make retroactive adjustments to prior subscription or withdrawal transactions, management fees or performance allocations based on subsequent valuation data. In addition, Crescent may,

but is not required to, discount the value of its positions due to limited liquidity, concentration levels or for other reasons. Due to the nature of its investments, Crescent may not be able to place a precise value on positions and therefore may need to estimate values.

#### *Dependence on Managing Principals*

While the management of our Funds is a collaborative effort, each Fund is largely dependent on the advice and services of our three managing principals. If any of our three managing principals, for any reason, ceases to manage one or more of the Funds, the performance of the affected Funds may suffer. In this event, the remaining managing principals would continue to manage the affected Funds, or some or all of our Funds may be dissolved.

In addition to these risks, the offering materials of each Fund describe risks associated with such Fund's operations and investment activities.

#### *Information Technology, Electronic Communications & Cybersecurity Risks*

Crescent, the Funds, their respective service providers and other market participants increasingly depend on information technology and electronic communications systems to conduct business function, including through expanded remote work activities. These systems are subject to a number of different threats or risks that could adversely affect the Funds and investors, despite efforts of the Fund and the Fund's service providers to adopt technologies, processes, and practices to mitigate such risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and investors. Moreover, Crescent and the Funds are susceptible to operational, information security and other cybersecurity risks, both directly and through their respective service providers. Similar types of cybersecurity risks are also present for investments, which could result in material adverse consequences for such investments and may cause the investments to lose value. These risks may not be covered by insurance. In general, cybersecurity incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through hacking or use of malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyberattacks may also be carried out without ever obtaining direct access to the targeted systems, such as through a denial-of-service attack which could result in the target's network services becoming unavailable to its intended users. Cybersecurity failures by, or breaches of, the systems of any of Crescent, the Funds and other service providers (including, but not limited to, data providers, fund accountants, custodians, transfer agents and attorneys), market makers or the entities in which the Funds invests, could cause disruptions and impact business operations, potentially resulting in one or more of the following: material financial losses, interference with the Funds' ability to calculate net asset value, unintended disclosure of confidential information, material impediments to trading, submission of erroneous trades or redemption orders, the inability of Crescent, the Funds or service providers to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or

additional compliance costs. In addition, cyber-attacks may render inaccessible, inaccurate or incomplete any or all of the records of Crescent or the Funds. Substantial costs may be incurred by the Funds in order to prevent or address cyber-incidents in the future. Crescent has established a cybersecurity policy and business continuity procedures to address and mitigate these cybersecurity risks. Despite these efforts, certain risks may not yet have been identified and it is possible that prevention and remediation efforts will be inadequate or unsuccessful. Additionally, because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against their targets, Crescent may be unable to anticipate these techniques or to implement adequate preventive measures. Furthermore, Crescent is unable to directly control the cybersecurity procedures and systems of any service providers, and any of the Funds and the investors could be materially and adversely impacted as a result.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH CLIENTS' INVESTMENT PROGRAMS OR THE FIRM'S INVESTMENT STRATEGIES. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO CONSULT WITH LEGAL AND TAX COUNSEL AS NEEDED TO CONSIDER RELEVANT RISK FACTORS.**

## **ITEM 9. DISCIPLINARY INFORMATION**

Item 9 is not applicable to Crescent or any of our management persons, as they have no reportable material legal or disciplinary events.



## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### *Affiliated General Partners & Managing Members*

An affiliate serves as the general partner or managing member of each of the Funds (“GP Entities”). Certain of these GP Entities are owned by an affiliate of Crescent. GP Invitation Fund I, LP and/or GP Invitation Fund II, LP generally wholly own the respective GP entity for any Fund within its structure. The ultimate general partner of such GP Entities is generally controlled by or under common control with Crescent.

Such GP Entities have delegated investment management of the Funds to Crescent and serve only as the operational general partner or manager. Pursuant to SEC guidance, the GP Entities are not registered with the SEC under the Advisers Act but rather rely on the Adviser’s registration. Fund governing documents designate Crescent as the Investment Adviser of the Funds. Any investment advisory activities of the GP Entities are subject to the Advisers Act and rules thereunder and are subject to examination by the SEC. The GP Entities and all employees and persons acting on their behalf are “persons associated with” and “supervised persons” (as each term is defined in the Advisers Act) of Crescent. The GP Entities are identified on Form ADV Part 1A, Section 7.A.

### *Related & Other Real Estate Services*

Crescent Property Services, LLC, a wholly-owned subsidiary of Crescent, performs property management and leasing services for portfolio investments. Crescent provides construction and real estate development services on behalf of the Funds and portfolio investments. Compensation for such services is disclosed in Fund governing documents and agreements.

As permitted under Fund governing documents, Crescent or an affiliate occasionally serves, and may in the future serve, as the developer or property manager for other real estate projects, for which the Firm does not act as an investment adviser, and in which neither the Firm nor the Funds have an ownership interest. The Firm or an affiliate receives or will receive a fee for such services, as disclosed in Item 5 above. Crescent has adopted policies and procedures that require it to act in the best interest of the Funds. Accordingly, any potential conflicts of interest related to such activities will be disclosed to and consent obtained from the respective Fund’s Advisory Committee, as discussed in Item 11 below.

### *Related Broker-Dealers*

Neither Crescent nor any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative.

### *Related Advisors*

Mr. Goff has also participated in the formation of a separate investment adviser, Goff Focused Strategies LLC (“GFS”), which is not registered with the SEC or any state securities board; however, it is filed with the SEC and the Texas State Securities Board as an exempt reporting adviser. GFS sponsors and advises private funds that invest in non-

real estate securities and investments. Other than Mr. Goff, Crescent and GFS do not share any employees or activities. Crescent does not engage in any business activities with GFS.

*Related Futures Commission Merchant/Commodity Pool Operator/Commodity Trading Advisor*

Neither Crescent nor any of our management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or as an associated person of any of the foregoing entities. Certain Funds do have interest rate swaps that are deemed to be commodities. Accordingly, Crescent has filed an exemption from registration as a commodity pool operator under CFTC Regulation 4.13(a)(3).

*Related Person Arrangements*

Through management of Client assets, a Client has a minority ownership interest in Hodges Ward Elliott, LLC (“HWE”). HWE is a privately owned, full-service real estate brokerage firm specializing in the sale and recapitalization of hospitality assets. Crescent’s Client also has the power to appoint a member of the board of managers of HWE. Clients of Crescent have previously engaged HWE to provide services and may do so in the future.

Mr. Goff currently serves as the Chairman of the Board of Crescent Energy Company (“CRGY”), a publicly traded oil and gas exploration, development and production company. While Crescent does not engage in any business activities with CRGY, Mr. Goff does split his time between the operations of the two companies.

Employees and representatives of Crescent have personal interests in a variety of independent business entities. While such employees and representatives do not typically invest in business entities that would create a direct conflict of interest with a Client's interest, a conflict of interest may arise. If such a conflict did arise, Crescent and such employees would take action to minimize any such conflict and take action in accordance with the Clients' organizational documents and Crescent's code of ethics and standards of conduct to resolve the conflict.

Mr. Goff has significant personal investment activities outside of his ownership and management of Crescent. These activities include real estate holdings which are not deemed to be in competition with Crescent’s Clients because such real estate assets are not of a size or type that Crescent seeks to obtain for its Clients.

Crescent and Mr. Goff have disclosed these activities to Clients and Mr. Goff is under specific limitations as to the size and asset class of real estate investments he can make on his own behalf. See also the discussion regarding *Allocation of Investment Opportunities* in Item 11.

Crescent does not recommend or select other investment advisers for our Clients, for compensation or otherwise, nor do we have a business relationship with an adviser that may create a material conflict of interest.

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

### **CODE OF ETHICS**

Crescent maintains a policy of strict compliance with the highest standards of ethical business conduct and the provisions of applicable federal securities laws, including rules and regulations promulgated by the SEC, and has adopted, and is committed to enforcing, a Code of Ethics. Our Code of Ethics applies to each employee of Crescent and any other "access person" of Crescent, and we obtain a written acknowledgment on behalf of each employee or access person of Crescent that they have read the provisions of the Code of Ethics carefully and agree to conduct business on behalf of Crescent in accordance with the Code of Ethics. Our Code of Ethics is designed to ensure compliance with legal requirements and with our standard of business conduct, to reduce actual and potential conflicts of interest and to initiate certain "best practices" to ensure that our employees and access persons place the interests and integrity of our Clients above their own personal interests. Sanctions for noncompliance with Crescent's Code of Ethics vary according to the circumstances, but may include suspension or termination of employment.

The below summary of Crescent's Code of Conduct does not purport to be complete and is qualified by reference to the full version Crescent's Code of Ethics, a copy of which is available to any Client or prospective Client upon request to our Chief Compliance Officer, Andrew Lombardi, whose contact information may be found on the cover page of this brochure.

#### *Standards of Conduct*

Crescent and its members, employees, and access persons are expected to comply with all applicable federal and state laws and regulations. Members, employees, and access persons are expected to adhere to the highest standards of ethical conduct and maintain confidentiality of all information obtained in the course of their employment and bring any risk issues, violations, or potential violations to the attention of our Chief Compliance Officer. Members, employees, and access persons are expected to deal with Clients fairly and disclose any activity that may create an actual or potential conflict of interest between them and Crescent or the Client.

#### *Ethical Business Practices*

Falsification or alteration of records or reports, also known as a prohibited financial practice, or knowingly approving such conduct, is strictly prohibited. Crescent seeks to outperform its competition fairly and honestly and seeks competitive advantages through superior performance, not illegal or unethical dealings.

#### *Confidentiality*

Employees must maintain the confidentiality of Crescent's proprietary and confidential information, and must not disclose that information unless necessary approval is obtained. Crescent has a particular duty and responsibility, as an investment adviser, to safeguard Client information. Information concerning the identity and transactions of investors is

confidential, and such information will only be disclosed to those employees and outside parties who may need to know it in order to fulfill their responsibilities.

## PERSONAL TRADING

Our access persons are prohibited from trading "Restricted List Securities." "Restricted List Securities" are securities of companies that Crescent prohibits its access persons from trading due to Crescent's possession of material nonpublic information about those companies. Access persons who violate the personal trading policy are reprimanded in accordance with the sanctions outlined in the policy and/or the Code of Ethics, which may include suspension or termination of employment. Personal securities transactions are monitored and reviewed by our Chief Compliance Officer or his designee for compliance with our personal trading policy and applicable SEC rules and regulations.

### *Prohibition Against Insider Trading*

Crescent forbids any employee from trading, either personally or on behalf of others, including Clients advised by Crescent, on material non-public information or communicating material non-public information to others in violation of the law or duty owed to another party. The prohibition of trading while in possession of material non-public information, penalties for insider trading, and processes for identifying insider trading are addressed in detail in our personal trading policy.

### *Reporting Requirements*

In compliance with SEC rules, our personal trading policy requires access persons to disclose all of their personal brokerage accounts and other securities holdings within 10 days of their initial engagement with Crescent and annually thereafter. Additionally, no later than 30 days after each quarter-end, all access persons must report all transactions in reportable securities over which the access person had any direct or indirect beneficial ownership.

## PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

We expect our partners and employees to conduct Crescent's affairs on an arm's length basis and generally to avoid business or financial activities that may conflict with those of our Clients. However, from time to time, Crescent's partners, employees or their affiliates may invest alongside the Funds. In addition, Crescent's partners, employees or their affiliates may own real estate or other assets that are sold to one or more Fund, or may purchase real estate or other assets from one or more Fund. Moreover, one or more Fund may acquire an interest in which Crescent's partners, employees or their affiliates own an interest. To ensure that the interests of the Funds remain our priority, we generally require disclosure and consent with respect to private transactions that raise conflicts of interest, as described below. Crescent requires that all trading in any specific public positions for partner or employee accounts (or those of their affiliates) come after any analogous trades are executed for Fund accounts. Crescent's partners and other personnel communicate openly and frequently among themselves in order to ensure that the interests of the Funds remain our priority.

Each of the GP Invitation Funds and certain Side Cars have established an advisory committee composed of various representatives of the investors in such Funds (the “Advisory Committee”). In addition to any waiver, consent or approval required of the Advisory Committee expressly set forth in the governing documents of such Funds, Crescent is generally required to present to the Advisory Committee for its prior review and approval any transaction in which the Firm has a conflict of interest, and with respect to the Advisers Act, would require the approval of the applicable Fund or its investors. If the Advisory Committee consents to or approves any such transaction or matter, the Firm may cause the Fund to engage in such transaction without seeking any other approval of the investors.

Principal transactions are transactions (i) where an adviser, acting as principal for its own account, knowingly buys securities from, or sells securities to, a client and (ii) where an affiliate or controlling person of the adviser is acting in a principal capacity with clients of the adviser (i.e., where we or an affiliate cause a client to engage in a trade with one of our affiliates). Section 206(3) of the Adviser Act generally prohibits an investment adviser from engaging in a principal transaction unless such adviser (i) makes written disclosure to the client of the capacity in which it is acting and (ii) obtains the client’s consent to the transaction. We generally will not engage in a principal transaction with respect to any of the Funds unless we obtain the prior approval of the applicable Advisory Committee or Fund investors (in accordance with the provisions set forth in the applicable governing document or offering memorandum), or otherwise disclose such transaction to all investors in Fund offering documents.

## OTHER POTENTIAL CONFLICTS OF INTEREST

Crescent and its affiliates engage in a broad range of activities, including activities for their own account and for the accounts of Clients. In addition to other sections of this brochure describing potential conflicts of interest, this section describes various potential conflicts that may arise in conducting our business, as well as how Crescent addresses such conflicts of interest. The discussion below may not be inclusive all conflicts that may arise.

Any of the potential conflicts of interest discussed in this brochure will be discussed and resolved on a case-by-case basis. Crescent's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Crescent's best judgment, but in its sole discretion. In resolving conflicts, Crescent will take into consideration the interests of the relevant Clients, the circumstances giving rise to the conflict and applicable laws.

Material conflicts of interest that may generally be encountered by a Fund include those discussed below and throughout this brochure. Other, specific conflicts may be disclosed in the offering documents relating to each Fund, which materials we advise our Clients to read in their entirety. In addition to the above, please see the discussion in Item 10.

### *Allocation of Investment Opportunities*

Crescent acts as investment adviser to many Clients that have similar investment objectives and pursue similar strategies. Certain investments identified by Crescent may be appropriate for multiple Clients. Investment decisions for such Clients are made by Crescent in its best judgment, but in its sole discretion, taking into account such factors as Crescent believes relevant and may include investment objectives, regulatory restrictions, current holdings, availability of cash for investment, the size of investments generally, and limitations and restrictions on a Client's account that are imposed by such Client. A particular investment may be bought or sold for only one Client or in different amounts and at different times for more than one but less than all Clients, even though it could have been bought or sold for other Clients at the same time. Likewise, a particular investment may be bought for one or more Clients when one or more other Clients are selling the investment. In addition, purchases or sales of the same investment may be made for two or more Clients on the same date. There can be no assurance that a Client will not receive less (or more) of a certain investment than it would otherwise receive if Crescent did not have a conflict of interest among Clients. In effecting transactions, it is not always possible, or consistent with the investment objectives of Crescent's various Clients, to take or liquidate the same investment positions at the same time or at the same prices. Certain investment restrictions may limit Crescent's ability to act for a Client and may reduce performance. Regulatory and legal restrictions (including restrictions on aggregated positions) may also restrict the investment activities of Crescent and result in reduced performance.

As disclosed to Fund investors, Mr. Goff or an affiliate may pursue investment opportunities that are not consistent with the investment parameters of the GP Invitation Funds, after the investment period for the Fund has expired, or if the Fund does not have remaining capital available. Generally, any investment opportunity consistent with Fund parameters must first be offered to the respective GP Invitation Fund.

Crescent seeks to manage and/or mitigate these potential conflicts of interest by including provisions with respect to the allocation of investment opportunities among its Clients, including the allocation of limited investment opportunities, in the governing documents of each Client sensitive to this conflict. Our allocation policy is based on a fundamental desire to treat each Client account fairly over time. Each Fund is made aware of this potential conflict of interest in the offering materials for such Fund, and the procedures for allocation of investment opportunities are set forth in detail in the governing documents of each Fund.

### *Capital Structure Conflicts*

Conflicts may arise in cases when Clients invest in different parts of an issuer's capital structure, including circumstances in which one or more Clients own private securities or obligations of an issuer and other Clients may own public securities of the same issuer. In addition, one or more Clients may invest in securities, or other financial instruments, of an issuer that are senior or junior to securities, or financial instruments, of the same issuer that are held by or acquired for, one or more other Clients. If such issuer encounters financial problems, decisions related to such securities (such as over the terms of any workout or proposed waivers and amendments to debt covenants) will raise conflicts of interests. For

example, a Client holding debt securities of the issuer may be better served by a liquidation of the issuer in which it may be paid in full, whereas a Client holding equity securities of the issuer might prefer a reorganization that holds the potential to create value for the equity holders.

*Devotion of Time by our Officers*

The officers of Crescent may devote a substantial portion of their business time to ventures other than managing the Funds, including ventures unrelated to the business of Crescent. Funds managed by such partners may be at a competitive disadvantage to other Funds which are managed by partners or other personnel of Crescent that devote their entire attention to Crescent's business. We address this conflict by actively monitoring the performance of, and the services provided to, the Fund to ensure that it receives the highest quality services.

## ITEM 12. BROKERAGE PRACTICES

### *Broker-Dealer Selection*

Crescent generally focuses on making private investments in real estate and real estate related assets, which transactions typically are privately negotiated by the Firm and the buyer or seller. Accordingly, the investment strategies we employ for the Funds do not generally involve securities transactions that require the use of a securities broker-dealer or other counterparty. However, we may from time-to-time execute securities transactions with a broker-dealer. Crescent or an affiliate generally has the sole discretion over the purchase and sale of investments, including the size of such transactions and the broker or counterparty, if any, to be used to effect the transaction.

In placing any transaction through a broker-dealer, Crescent has an obligation to obtain "best execution" in Client transactions considering the execution price and overall commission costs paid and certain other factors. Our trading desk route orders to various broker-dealers for execution at their discretion. Where possible, we deal directly with the dealers who make a market in the securities involved, except in those circumstances where it believes better prices and execution are available elsewhere.

Factors involved in selecting brokerage firms include:

- Size of broker
- Reputation
- Quality of service
- Experience
- Financial stability and creditworthiness
- Financial statements
- Regulatory filings
- Standing in financial community
- Ability to handle block trades
- Acceptable record of delivery and payment on past transactions
- Quality of research and investment information provided
- Best available execution
- Market knowledge regarding specific industries and securities
- Access to sources of supply or markets
- Nature of the market for the security

### *Soft Dollar Arrangements*

Crescent currently does not have any formal soft dollar arrangements with any broker-dealer or third party in connection with Client securities transactions, nor does Crescent consider research benefits or soft dollar arrangements when selecting or recommending broker-dealers for Client transactions. Crescent does receive research benefits from our qualified custodians; however, Crescent does not consider these research benefits when selecting or recommending a qualified custodian.



## ITEM 13. REVIEW OF ACCOUNTS

### *Oversight and Monitoring*

Crescent provides continuous advisory services for the Funds. The portfolio investments of each Fund are primarily reviewed by a team of investment professionals, which currently includes our managers, managing directors, senior vice presidents, vice presidents, and analysts.

### *Reporting*

We send either audited or unaudited reports to our Fund investors, depending on the requirements set forth in the governing documents for each Fund. Certain of our Funds have engaged an independent public accounting firm to prepare audited financial statements of such Funds within 120 days of the end of each fiscal year (or such shorter period as may be set forth in a Fund's operative documents) or as soon as reasonably practicable thereafter. We furnish investors in any Funds that are not subject to an audit with unaudited quarterly reports reviewing the Fund's performance for such quarter, as well as annual letters from Crescent. Investors in a Fund receive a quarterly investor statement from the Fund's administrator, which shows capital activity, income (loss), management fees and a pro-forma calculation of any performance reallocation. All of these reports are written. We may provide other reports or information to investors upon request and/or pursuant to the terms agreed upon in side letters.

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

Crescent engages real estate investment bankers to source equity for investments in real estate. The providers of this equity will invest with a Fund in a real estate investment project.

In the past, Crescent has engaged, and we may in the future engage, a placement agent(s) in connection with the offering of interests in the Funds or certain Side Car entities to prospective investors. As compensation for their services, such placement agents may receive compensation from Crescent or an affiliate which may include a retainer and percentage of an investor's commitment, or such other compensation as agreed to with such placement agent and disclosed to relevant investors. In each case, the placement agent is or will be disclosed in the respective Fund's private placement memorandum, Form ADV Part 1A, Section 7.B.(1), and Form D.

## ITEM 15. CUSTODY

Crescent does not act as the qualified custodian of our Clients' assets. However, based on our control of the GP Entities, we are deemed to have, custody of Client assets. The Firm holds cash and any certificated securities at an unaffiliated qualified custodian, to the extent required by Rule 206(4)- 2 under the Advisers Act. The Firm is not required to comply with the requirement to use a qualified custodian with respect to “privately offered securities,” as defined in Rule 206(4)-2 under the Advisers Act; however, the Firm has implemented procedures in its compliance manual that are designed to safeguard these privately offered securities.

In compliance with the audit approach exception to the custody rules set forth in Rule 206(4)-2 under the Advisers Act, the Firm generally provides Fund investors with audited financial statements, prepared in accordance with GAAP, on an annual basis within 120 days after the Fund’s fiscal year end. Financial statements are audited by a Public Company Accounting Oversight Board-registered and inspected firm. Investors should review these audited financial statements carefully.

Consistent with the position taken by staff of the SEC’s Division of Investment Management in a March 23, 2015 no-action letter to Edwin C. Laurenson (16<sup>th</sup> Amendment Advisors LLC), certain Funds owned exclusively by Crescent or its related persons are not subject to a surprise examination or annual audit and certain other provisions of Rule 206(4)-2.

Any pooled vehicle that is not subject to a financial statement audit, and does not meet the terms of the no-action letter noted above, are or will be subject to a surprise examination conducted by an independent public accounting firm pursuant to Rule 206(4)-2(a)(4). In addition, Crescent will use reasonable efforts to ensure that the qualified custodians for such entities send an account statement at least quarterly to the investors in such entities identifying the amount of funds and each security in the account at the end of the period and setting forth all transactions in the account during the period.

## **ITEM 16. INVESTMENT DISCRETION**

Crescent provides investment advice directly to its Funds pursuant to a written investment management agreement with each Fund, subject to the discretion and control of the general partner or the board of directors of the applicable Fund. Crescent does not provide advice directly to the investors in the Funds. Powers of attorney and any restrictions on Crescent's authority are set forth in the organizational documents and subscription documents of each Fund. Please refer to the disclosures relating to potential conflicts of interest in connection with allocation of investment opportunities as set forth in Item 11.

## ITEM 17. VOTING CLIENT SECURITIES

Crescent generally focuses on making private investments in real estate and real estate related assets. Accordingly, while we are rarely in a position to cast votes on behalf of our Clients, in the unusual event we are requested to do so, we will accept such authority to vote Client securities in accordance with our voting policies and procedures, summarized below.

Crescent will treat voting rights of securities held in a Client's portfolio in a manner that it believes is in such Client's best interests. Initially, Crescent will determine whether it is in a Client's best interest for Crescent to exercise the Client's voting rights with respect to specific securities. If Crescent determines that it is appropriate to exercise voting rights in a particular instance, the matters on which a vote is solicited will be evaluated in light of the Client's investment objectives for the security and to maximize the Client's value as a shareholder. Regularly recurring matters will usually be voted as recommended by the issuer's board of directors or management, but Crescent may find, on a case-by-case basis, that it is in the best interest of the applicable Client to vote against such proposals.

Potential conflicts of interest that may arise with respect to the outcome of certain proxy votes include:

- Voting in accordance with a portfolio manager's recommendation where the proxy company or one of its benefit plans has an institutional separate account relationship with Crescent or a large investment in one of the Funds.
- Crescent having a material business relationship with a proponent of a proxy proposal, participants in a proxy contest or directors or nominee directors of a portfolio company.
- An employee of Crescent having a personal interest in the outcome of a particular proxy proposal.

In the event of a conflict of interest, our Chief Compliance Officer will advise as to whether and how the proxy should be voted. Crescent is committed to resolving any such conflict in the best interest of the applicable Client(s) before it votes the proxy in question. To resolve the conflict, Crescent may take any of the following courses of action:

- Disclose the conflict to the applicable Client(s) and obtain their consent prior to voting.
- Suggest that the applicable Client(s) engage another party to determine how the proxy should be voted.
- Vote in accordance with the recommendation of an independent third party, such as a proxy consultant, research analyst or compliance consultant.

Client(s) may direct a proxy vote at any time by calling or writing to us to inform us of their desired vote.

This summary of Crescent's voting policies and procedures does not purport to be complete and is qualified in its entirety by Crescent's voting policies and procedures. Crescent will make information regarding proxy voting available upon request to any Client and a copy of Crescent's voting policies and procedures is available to any Client or prospective Client upon request sent to our Chief Compliance Officer, Andrew Lombardi, whose contact information may be found on the cover page of this brochure.

## **ITEM 18. FINANCIAL INFORMATION**

Crescent is not required to provide financial statements because it does not serve as a qualified custodian of Client funds or securities and does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.