

# CRESCENT

## CRESCENT CAPITAL GROUP LP

### FORM ADV PART 2A FIRM BROCHURE

**March 31, 2014**

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

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

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

## **ITEM 2**

### **MATERIAL CHANGES**

This Item 2 discusses only material changes made to this Form ADV Part 2A (“Brochure”) since April 1, 2013, when Crescent Capital Group LP filed its most recent annual updating amendment to the Brochure. Persons previously receiving that Brochure should consider the following:

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

Crescent’s affiliated distributor intends to complete its FINRA registration in 2014.

### ITEM 3 TABLE OF CONTENTS

ITEM 1 COVER PAGE.....	1
ITEM 2 MATERIAL CHANGES.....	2
ITEM 3 TABLE OF CONTENTS.....	3
ITEM 4 ADVISORY BUSINESS.....	5
ITEM 5 FEES AND COMPENSATION.....	6
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	7
ITEM 7 TYPES OF CLIENTS.....	8
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	8
ITEM 9 DISCIPLINARY INFORMATION.....	14
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	15
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	16
ITEM 12 BROKERAGE PRACTICES.....	18
ITEM 13 REVIEW OF ACCOUNTS.....	19
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	19
ITEM 15 CUSTODY.....	20
ITEM 16 INVESTMENT DISCRETION.....	20
ITEM 17 VOTING CLIENT SECURITIES.....	20
ITEM 18 FINANCIAL INFORMATION.....	21

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

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

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

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

## **ITEM 4**

### **ADVISORY BUSINESS**

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

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

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

Crescent offers investment advisory services primarily to institutional investors through private investments funds including structured vehicles (each, a “Fund” and collectively, the “Funds”) and separately managed accounts (the Funds and separately managed accounts are collectively referred to herein as the “Clients”). The Funds include closed-end and open-end limited partnerships, collateralized loan obligations (“CLOs”), collateralized debt obligations (“CDOs”), and other investment vehicles. Our investment advice to our Clients focuses on investment and credit management activities in one or more below-investment grade corporate debt strategies, including bank loans, public and private high-yield bonds, European alternative credit, and direct lending (collectively referred to as “Capital Markets”), mezzanine debt (which often includes minority-equity interests, collectively referred to as “Mezzanine Debt”) and middle-market distressed and special situations debt securities (referred to as “Special Situations” and collectively with Capital Markets and Mezzanine Debt, our “strategies”). Below-investment grade debt refers to debt rated or that would be likely to be rated, below BBB/Baa by one of the major rating agencies.

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

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

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

Certain Clients enter into arrangements with Crescent whereby Crescent provides investment or portfolio advice to the Client but Crescent does not exercise investment discretion. Crescent may or may

not execute trades for non-discretionary clients at the client's direction. Crescent's fee in such non-discretionary arrangements is generally lower than its fee for providing investment advisory services where it has full discretion.

As of December 31, 2013, we manage \$12,483,814,140 of Client assets on a discretionary basis and \$614,760,508 on a non-discretionary basis.

## **ITEM 5 FEES AND COMPENSATION**

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

Management Fees for Funds are typically set at the Fund's first closing as set forth in the Fund Documents, and as such are generally non-negotiable. These fees are typically charged quarterly in advance and may be deducted directly from the Funds' assets. To the extent that fees are assessed or paid in advance by investors and their investment is terminated, Crescent would promptly credit any unearned portions of the fee in accordance with the Fund Documents.

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

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

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

Other Expenses are memorialized for Funds in the Fund Documents, and for separately managed accounts in the applicable Investment Management Agreement.

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

## **ITEM 6**

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

From certain Clients, Crescent receives both Management Fees and a performance allocation while others may pay only Management Fees. This may result in us having a conflict of interest, in that we might have an incentive to favor Clients from whom we receive a performance allocation. We have adopted a Code of Ethics and policies and procedures, described in Item 11, below, designed to address this and other potential conflicts of interest.

The fact that a performance allocation is paid to Crescent may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such allocation. Also, since the performance allocations paid by certain Clients may be based on realized and unrealized appreciation of assets, the performance allocation credited to Crescent may be greater than if such allocation were based solely on realizations.

Any performance-based compensation will be paid in accordance with Section 205(3) of the Advisers Act, or Rule 205-3 thereunder.

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

Crescent faces a potential conflict of interest when (1) the actions taken on behalf of one Client or investor may impact other similar or different Clients or investors (e.g., because such Clients or investors have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments, or have differing ability to engage in short sales and economically similar transactions) and (2) Crescent and its personnel have differential interests in such Client or investor accounts (i.e., expose Crescent or its related persons, including an affiliate of Crescent in its capacity as the general partner of a Fund, to differing potential for gain or loss through differential ownership interests or compensation structures, such as performance-based allocations) because Crescent may have an incentive to favor certain Clients or investors over others that may be less lucrative. Such conflicts may present particular concern when, for example, Crescent places, or allocates the results of, securities transactions that Crescent believes could more likely result in favorable performance, engages in cross trades or executes potentially conflicting or competing investments.

Performance-based arrangements may also create an incentive for Crescent to recommend investments that are more risky or speculative than those that would be recommended under a different arrangement. Additionally, under a performance-based allocation structure, Crescent may benefit when capital gains are recognized and, because it determines when an investment is sold, Crescent controls the timing of the recognition of such capital gains. Crescent or its affiliates, or their respective principals or personnel, may also own a portion of Clients managed by Crescent. This may create a similar performance-based incentive to that mentioned above.

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

## **ITEM 7**

### **TYPES OF CLIENTS**

Crescent primarily provides investment advisory services to private funds, special purpose or single investor funds, separate accounts and structured products. Crescent manages assets for and markets primarily to investors who are “qualified purchasers” (as defined in the Investment Company Act) and “accredited investors” (as defined in Regulation D under the Securities Act).

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

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

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

## **ITEM 8**

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

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

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

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

We may use a variety of analytical methods on the data we collect, including fundamental, technical, and cyclical analyses. We also may analyze securities structures, country risk (including consideration of global trading relationships such as free trade agreements), political risks, monthly

compliance statements, discounted cash flows, and proprietary data and analytical systems developed and maintained in-house. Further, we may perform credit analyses based upon debt payment history, term of debt, price, equity kickers, interest rate, market interest rates, general market conditions, industry conditions, and other similar factors.

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

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

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

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

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

**Below-Investment Grade Instruments.** The below-investment-grade securities, loans and other assets in which our Clients invest are considered to be speculative, and involve a high degree of financial risk due to the nature of their issuers' and obligors' leveraged capital structures. Such instruments are also commonly known as "junk bonds." These investments may be (1) unsecured and subordinated to substantial amounts of senior debt (all or a significant portion of which may be secured), (2) may not be protected by financial covenants or limitations on additional debt, (3) may have limited liquidity and (4) may not be rated by a credit rating agency. These instruments are regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. Because investment in below-investment-grade instruments involves greater investment risk, achievement of the Client's investment objective will be more dependent on our analysis than would be the case if the Client were investing in higher-quality, investment grade instruments. In addition, below-investment-grade instruments in leveraged capital structures may be more susceptible to real or perceived adverse economic and issuer-specific developments than investment-grade instruments. Moreover, the secondary trading market for lower quality instruments is generally more volatile and may be less liquid than the market for investment grade securities. This potential lack of liquidity may make it more difficult to accurately value

certain portfolio investments. Crescent intends to monitor portfolio company performance; however, it is primarily the responsibility of a portfolio company's management to operate the portfolio company on a day-to-day basis, and there is no assurance that management will perform in accordance with our or a Client's expectations. Therefore, there can be no assurance that the investments will be able to generate returns for Clients or that the returns will be commensurate with the risks of investing. It is possible that Clients will incur losses up to a complete loss of capital.

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

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

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

**Foreign Investing and Currency Exchange Risk.** Foreign investments may involve greater risks than domestic investments because a Client's performance may depend on factors other than the performance of a particular company, including the following: the unpredictability of international trade patterns; the possibility of governmental actions adverse to business generally or to foreign investors in particular; imposition or modification of controls on foreign currency exchange, repatriation of proceeds or foreign investment; the imposition or increase of withholding taxes on income and gains; price volatility; absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation which may result in lower quality information being available and less developed corporate laws regarding fiduciary duties and the

protection of investors; governmental influence on the national and local economies; and fluctuations in currency exchange rates. In addition, collateral that is located outside of the United States may be subject to various laws enacted for the protection of creditors, depending on the country and the issuer, which laws may differ substantially from those applicable in the United States. The risks described in this paragraph with respect to foreign investments apply to an even greater extent to investments in emerging markets.

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

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

**Derivatives.** Clients may hold or write various derivative instruments, including options, forward contracts, swaps and other derivatives, which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks. When derivatives are used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may reduce the effectiveness of the hedge or result in a loss. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets Clients may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which Clients may conduct transactions in certain derivative instruments may prevent prompt liquidation of positions, subjecting Clients to potential losses. Derivative instruments that may be purchased or sold by Clients may include instruments not traded on an exchange. Over-the-counter options, unlike exchange-traded options, are two-party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater, and the ease with which Clients can dispose of or enter into closing transactions with respect to such an instrument may be less, than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "ask" prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

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

**Credit Default Swaps.** Certain Clients may enter into credit default swaps, which are a type of derivative instrument. While the International Swaps and Derivatives Association, Inc. (ISDA), has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. The Credit Derivatives Definitions are expected to continue to evolve. There can be no assurances that changes to the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to Clients. Amendments or supplements to the Credit Derivatives Definitions that are published by ISDA will only apply to credit default swaps of Clients, if any, if Clients and the swap counterparty agree to amend any such credit default swap to incorporate such amendments or supplements. Markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the Credit Derivatives Definitions. Furthermore, the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to Clients.

**Counterparty and Custodial Risk.** To the extent Clients invests in swaps, “synthetic” or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments or, in certain circumstances, non-U.S. securities, Clients take the risk of non-performance by the other party to the contract. This risk may include the credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

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

**Participation on Creditors’ Committees and Boards of Directors.** Representatives of Crescent, on behalf of Clients, may participate on committees formed by creditors to negotiate with the management

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

**Availability of Suitable Investments; Competition.** The identification of attractive investment opportunities is difficult and highly uncertain. There can be no assurance that we will be able to invest a Client's capital fully or that suitable investment opportunities will be identified. Crescent often seeks to invest in companies with relatively short operating histories and lower revenues or companies that have undergone leveraged buyouts or recapitalizations. The success of Client portfolios will depend on the ability of Crescent to originate, recommend, structure, identify and consummate suitable investments in a highly competitive environment, to improve the operating performance of portfolio companies, and to dispose of investments at a profit. Crescent competes with the public and private debt and equity markets and with other investors, including other asset management firms, mezzanine funds, private equity funds, hedge funds, direct investment firms, business development companies and merchant banks for investment opportunities.

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

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

**Litigation.** To the extent that a Client is in a position to exercise any significant influence over a portfolio company, there could be a heightened risk of litigation (e.g., claims that the Client is a controlling person and thus liable for securities law violations of the portfolio company). The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments, absent fraud,

willful misconduct or gross negligence by Crescent, would be borne by relevant Clients or their investors and would reduce net assets or could require investors in Clients to return the Clients' distributed capital and earnings. Crescent and others are indemnified in connection with such litigation, subject to certain conditions. In connection with the disposition of an investment in a portfolio company, Clients may be required to make representations about the business and financial affairs of a portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. Clients also may be required to indemnify the purchasers of such investments or underwriters, to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities to Clients. In addition, in the capacity as a member of the boards of directors of portfolio companies, a representative of Clients may become subject to fiduciary or other duties which may adversely affect Clients. For example, Clients may be unable to sell portfolio securities if a representative of Crescent is in possession of inside information relating to the issuer of the portfolio securities. Clients also may be limited to the same "window periods" for sales of public securities of a portfolio company as are directors of the portfolio company if a representative of Crescent is on the board of directors of the portfolio company.

**Business and Regulatory Risks.** Legal, tax and regulatory changes in the U.S. and outside the U.S. could occur during the term of Clients' engagement of Crescent that may adversely affect Clients. The regulatory environment for private investment vehicles is evolving, and changes in such regulation may adversely affect the value of investments held by Clients. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. Due to the recent events in the markets, regulatory change may be more likely. Legal, tax, and regulatory changes, as well as judicial decisions, could adversely affect the implementation of Clients' investment strategy. The effect of any future regulatory change on Clients could be substantial and adverse. Alternative U.S. or non-U.S. rules or legislation regulating Clients or Crescent may be adopted, and the possible scope of any rules or legislation is unknown. There can be no assurances that Clients or Crescent will not in the future be subject to regulatory review or discipline. The effects of any regulatory changes or developments on Clients may affect the manner in which it is managed and may be substantial and adverse.

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

## **ITEM 9 DISCIPLINARY INFORMATION**

Not Applicable.

## **ITEM 10**

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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

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

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

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

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

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

## ITEM 11

### CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Crescent has adopted a Code of Ethics (the “Code”) that sets forth the standards of ethical and business conduct expected of our personnel and addresses conflicts that may arise from personal trading by personnel. The Code, among other things, requires compliance with the federal securities laws, reflects the fiduciary responsibilities of Crescent and its advisory personnel, prohibits certain personal securities transactions, requires personnel to periodically report their personal securities transactions and to pre-clear certain securities transactions and addresses prevention of the misuse of material nonpublic information. Pertinent provisions of the Code, as well as certain other conflicts of interest, are discussed below.

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

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

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

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

**Investing In Different Classes Of The Capital Structure In Distressed Entities.** Because Crescent has many investment strategies and different portfolio managers operating independently of each other, different managers purchasing and selling securities in the same issuer is not uncommon. Those securities may be of the same class or different classes (and thus different seniorities) of the issuer’s capital structure. There may also be instances where portfolio managers invest in one class of an issuer for some Clients and in other classes of the same issuer for other Clients. In the healthy entity situation, those

overlaps are not an area of significant concern, because the potential for conflict generally is not substantial, and any strict prohibition would reduce investment opportunities to the detriment of our Clients. This is not the case, however, for a distressed entity where the interests of different Clients may not necessarily be parallel. Crescent has established special procedures that apply when purchasing securities of a distressed entity or when a healthy entity becomes a distressed entity.

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

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

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

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

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

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

**Gift and Personal Activity Restrictions.** There is a policy governing gifts, payments and preferential treatment that includes an approval process for specific categories of gifts and entertainment provided to Crescent employees or given by Crescent's employees. There is a policy governing employees' activities outside of their employment with Crescent, including outside employment, service as director or in a similar capacity, fiduciary appointments, and participation in public affairs and service as treasurer of clubs, houses of worship, and lodges. Additionally, there is a policy on political activities and contributions, containing general rules governing contributions and solicitation, responsibility of individuals for personal contribution limits, pre-clearance of certain contributions to federal, state and local candidates, campaign committees, political parties or other political organizations, and rules for political activities on Crescent's premises or using Crescent resources.

**Confidentiality and Reporting.** There are also confidentiality requirements, and a policy stating that Crescent employees are required to report illegal activity or activities not in compliance with Crescent's formal written policies and procedures, including the Code.

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

**Principal Transactions.** In certain cases, and subject to each Fund's governing documents, Crescent may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions may create conflicts of interest because the Firm might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn Management Fees or a performance allocation from the acquiring Fund. Additionally, in connection with such transactions, Crescent, its affiliates and/or their professionals (1) may have a significant investment, or intentions to invest, in a Fund that is selling and/or purchasing such an investment or (2) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment).

To address these conflicts of interest, in connection with effecting such transactions, Crescent will, to the extent feasible, use market forces to determine the price at which one Fund acquires the investment from another (such as, for example, running an auction process to determine the value of privately held securities). Any conflicts of interest may need to be brought to the attention of the applicable Fund's Limited Partners or the Limited Partner's Advisory Board, depending upon the relevant Fund's governing documents.

Crescent also has policies and procedures regarding interests in Client transactions.

## **ITEM 12 BROKERAGE PRACTICES**

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

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

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

discretionary trades. This may cost Clients money through increased transaction costs and less favorable prices on executed trades.

In an effort to achieve efficiencies in execution and reduce trading costs, Crescent frequently aggregates securities transactions on behalf of a number of Clients at the same time. This is generally referred to as a block trade. When we execute block trades, we allocate trades among accounts using procedures that we consider fair and equitable. Participation of an account in the allocation is based on such considerations as investment objectives, guidelines and restrictions, availability of cash, amount of existing holdings (or substitutes) of the security in the accounts, investment horizon and directed brokerage instructions, if applicable. Crescent may execute securities transactions alongside or interspersed between block orders when we believe that such execution will not interfere with our ability to exclude trades for accounts that direct brokerage or that are managed in part for tax considerations from block trades.

In some cases, various forms of proportionate allocation are used, and in other cases, alternative allocation processes are used. However, it is recognized that considerations such as lot size, existing or targeted account weightings in particular investments, account size, cash availability, diversification requirements and investment objectives, restrictions and time horizons may result in more particularized allocations. In connection with multi-account purchases or sales, and in other circumstances if practicable, if multiple trades for specific security are made with the same broker in a single day, those securities are allocated to Client accounts based on a weighted average purchase or sale price.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

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

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

## **ITEM 14**

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

Crescent periodically pays third parties a fee or compensation for referral of an investor. The third party is required to provide prospective investors with a current copy of Crescent's written disclosure statement and the solicitor's written disclosure statement and Crescent will obtain a signed and dated acknowledgement from each referred investor of the receipt of such disclosure statements, as required by Rule 206-(4)-3 under the Advisers Act.

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

## **ITEM 15 CUSTODY**

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

## **ITEM 16 INVESTMENT DISCRETION**

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

## **ITEM 17 VOTING CLIENT SECURITIES**

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

In order to provide a basis for making decisions in the voting of proxies for its Clients, Crescent has adopted proxy voting guidelines (the "Guidelines") and related procedures. Crescent may also use outside proxy voting services (each an "Outside Service") to help manage the proxy voting process. All proxy voting and record keeping by Crescent is dependent on the timely provision of proxy ballots by custodians, clients and other third parties. Under specified circumstances described below involving potential conflicts of interest, Crescent may request an Outside Service to help decide certain proxy votes. In certain limited circumstances, particularly in the area of structured finance, Crescent may enter into voting agreements or other contractual obligations that govern the voting of shares. In the event of a conflict between any contractual requirements and the Guidelines, Crescent will vote in accordance with its contractual obligations.

**Proxy Voting Philosophy.** When voting proxies, Crescent's utmost concern is that all decisions be made in the best interests of the Client, with the goal of maximizing the value of the Client's investments. Crescent's philosophy is that its portfolio managers, who are primarily responsible for evaluating the individual holdings of Crescent's Clients, are best able to determine

how best to further Client interests and goals. The portfolio managers may, in their discretion, take into account the recommendations of Crescent management or an Outside Service.

**International Proxy Voting.** There are some significant differences between voting U.S. company proxies and voting non-U.S. company proxies. For U.S. companies, it is relatively easy to vote proxies, as typically proxies are automatically received and may be voted by mail or electronically. In most cases, the officers of a U.S. company soliciting a proxy act as proxies for the company's shareholders.

For non-U.S. companies, however, it is typically both difficult and costly to vote proxies. The major difficulties and costs may include: (1) appointing a proxy; (2) knowing when a meeting is taking place; (3) obtaining relevant information about proxies, voting procedures for foreign shareholders, and restrictions on trading securities that are subject to proxy votes; (4) arranging for a proxy to vote; and (5) evaluating the cost of voting.

Furthermore, the operational hurdles to voting proxies vary by country. As a result, Crescent considers whether or not to vote an international proxy based on the particular facts and circumstances. However, when Crescent believes that an issue to be voted is likely to affect the economic value of the portfolio securities, that its vote may influence the ultimate outcome of the contest, and that the benefits of voting the proxy exceed the expected costs, Crescent will make every reasonable effort to vote such proxies.

**Overrides and Conflict Resolution.** Individual portfolio managers, in the exercise of their best judgment and discretion, may from time to time override the Guidelines and vote proxies in a manner that they believe will enhance the economic value of clients' assets, keeping in mind the best interests of the beneficial owners. The Guidelines provide procedures for documenting and, as required, approving such overrides. It is unlikely that serious conflicts of interest will arise in the context of Crescent's proxy voting, because Crescent does not engage in investment banking or the managing or advising of public companies. In the event a potential conflict were to arise, the primary means by which Crescent avoids a conflict of interest in the voting of proxies is by casting such votes solely in the interests of its Clients and in the interests of maximizing the value of their portfolio holdings. In this regard, if a potential conflict of interest arises, but the proxy vote to be decided is predetermined under the Guidelines to be cast either in favor or against, then Crescent will follow the Guidelines and vote accordingly. On the other hand, if a potential conflict of interest arises and there is no predetermined vote, or the Guidelines themselves refer such vote to the portfolio manager for decision, or the portfolio manager would like to override a predetermined vote, then the Guidelines provide procedures for determining whether a material conflict of interest exists and, if so, resolving such conflict.

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

## **ITEM 18**

### **FINANCIAL INFORMATION**

Not applicable.