

## **ADV Part 2A: Firm Brochure**

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This brochure provides information about the qualifications and business practices of Crystal Capital Partners, LLC (“Crystal”). If you have any questions about the contents of this brochure, please contact Michael Hoyer, Chief Financial Officer, at (305) 868-1500 or [mhoyer@crystalfunds.com](mailto:mhoyer@crystalfunds.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

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### Item 3. Advisory Business

Crystal Capital Partners, LLC (“Crystal”), provides fund management services to certain private investment limited liability companies and offshore investment funds that are privately placed (collectively, the “Funds”), and their respective segregated portfolios (collectively, the “Portfolios”). Crystal also provides fund management services to certain private investment limited liability companies and offshore investment funds (collectively, the “Master Funds”). The Master Funds operate as “master” funds in a master-feeder fund structure into which the relevant Funds will invest.

Crystal also provides advisory services to two multi-strategy portfolios of the Funds (the “Multi-Strategy Portfolios”). Crystal may provide advisory services to such other Portfolios of the Funds whose investors, from time to time, may select Crystal as their Portfolio Adviser (as defined below).

In addition, Crystal, as fund manager on behalf of the Funds, may (i) perform operational due diligence on certain Other Funds and Managers (as defined below) where such duties are not performed by a portfolio adviser selected by the investor (a “Portfolio Adviser”), and (ii) make available web-based analytical tools to certain Portfolio Advisers and/or investors. However, Portfolio Advisers or investors into self-directed Portfolios make determinations as to the suitability or appropriateness of any Other Funds and Managers for any particular Portfolio. Portfolio Advisers or investors into self-directed Portfolios also shall perform any additional due diligence they deem necessary or appropriate. A Portfolio Adviser selected by an investor typically provides exclusive advisory services to such investor’s Portfolio, while an investor into a self-directed Portfolio has elected not to utilize the advisory services of a Portfolio Adviser.

Crystal is registered with the Securities and Exchange Commission (“SEC”). The mere fact that an adviser is registered with the SEC does not imply any particular level of skill or training.

Crystal was formed in 2007. Crystal’s principal owners are The Brod Family 2012 Trust, Nicobro Holdings, Inc., Strauss Family 2012 Trust, Jacfro Holdings, Inc., and Mifro Holdings, Inc.

As of March 1, 2012, Crystal managed US \$348,047,090 in assets, consisting of US\$116,304,496 in discretionary assets and US \$231,742,594 in non-discretionary assets.

### Item 4. Fees and Compensation

The Portfolios will pay annual management fees to Crystal for providing fund management services, as described in the offering documents of the Funds. Management

fees typically range between 1% and 1.5% of assets under management depending on the type and size of an investor's Portfolio.

Certain classes of the Multi-Strategy Portfolios will pay performance allocations (or performance fees), as applicable, to Crystal for providing advisory services, as described in the offering documents of the Funds. Such fees range from 10% to 15% of the aggregated distributions to the applicable investors in such classes of the Multi-Strategy Portfolios. Classes of the Multi-Strategy Portfolios will also pay management fees to Crystal ranging between 1% and 3% of assets under management depending on the terms for a particular class.

Fees are typically paid quarterly in arrears, as described in offering documents for the Funds. The fees described above are typical, but certain strategic clients may be charged different fees.

**Item 5. Performance-Based Fees and Side-By-Side Management**

A description of the fees charged by Crystal is provided above in Item 5.

**Item 6. Types of Clients**

Crystal provides fund management services to all Portfolios of the Funds. Crystal provides advisory services to the Multi-Strategy Portfolios and such other Portfolios of the Funds whose investors, from time to time, may select Crystal as their Portfolio Adviser.

U.S. taxable and tax-exempt investors in the Funds must be "qualified purchasers" (as such term is defined in the Investment Company Act of 1940) and "accredited investors" (as such term is defined in the Securities Act of 1933). Non-U.S. investors in the Funds must be "accredited investors."

**Item 7. Methods of Analysis, Investment Strategies and Risk of Loss**

**Investment Strategies**

To achieve their objectives, the Funds will provide the Portfolio Advisors with the tools to combine different techniques and approaches aimed at maximizing returns while giving consideration to capital preservation. The Funds shall have complete flexibility as to the instruments and markets in which the Portfolio Advisors may invest and the investment techniques they may use in relation to the investment strategy of each Portfolio.

Set forth below are brief descriptions of certain investment strategies and instruments by means of which the Portfolio Advisors will seek to achieve their investment objectives. The investment strategies and investments discussed below are not exclusive of other strategies and instruments the Funds may offer. There are no assurances that the

Portfolio Advisors will implement

any or all of such strategies at any given time. Investing in securities involves risk of loss that investors should be prepared to bear.

*Investments in Other Funds.* The majority of the Funds' investments are expected, but not required, to be made through discretionary accounts managed by other money managers and other funds ("Other Funds and Managers"). Accordingly, the Funds, through its investment in the respective Master Funds, may invest in U.S. or offshore unit investment trusts, open-ended and closed-ended mutual funds and hedge funds, private equity funds, venture capital funds, advisory accounts, real estate investment trusts, exchange traded funds ("ETFs") or other private investment funds, regardless of whether any of the foregoing investment vehicles are affiliated with Crystal. These funds will charge their own management and other fees, so that if the Funds invest in them, relevant investors will bear an additional level of fees and expenses. Crystal and the Funds generally will have no power to control the management of these funds including investments, valuation, brokerage policies, and conflicts of interest, etc. Also, U.S. mutual funds generally must distribute all gains, including to investors who may not have an economic gain, which can lead to negative tax effects on investors, particularly non-U.S. persons. The Funds may also invest in unit investment trusts or other similar vehicles designed to track the performance of a specific index or sector. The Funds may hire sub-advisors to manage portions of the Fund at the Fund's expense. As the transfer or redemption of interests in many Other Funds and Managers may be restricted or permissible only at specific and limited times or subject to the satisfaction of certain conditions, such investments are likely to be less liquid than, for example, investments in exchange-traded securities.

*Directional Trading.* This will involve establishing long or short positions in securities, derivatives, and other instruments to profit from perceived mispricing or from potential movements in interest rates, exchange rates, and other market prices resulting from anticipated macroeconomic events.

*Derivatives Trading.* Derivatives trading involves the buying and selling of instruments and combinations of instruments which serve as proxies for specific assets or market factors, such as volatility. Derivatives typically involve a greater degree of risk than do the underlying securities to which they relate, in part due to the fact that they normally trade on margin. While this leverage can enhance a Portfolio's return, it also increases risk. For example, when buying futures contracts, the amount of initial margin required is equivalent to a small percentage of the value of the contract. An adverse change in the market, however, will have a disproportionately greater impact on the funds deposited as initial margin than on the value of the underlying position and, in such circumstances, applicable Portfolios of the Funds could sustain total losses of their initial margin as well as any additional funds needed to comply with applicable margin requirements.

*Arbitrage.* Portfolios of the Funds may employ risk arbitrage strategies where a rate of return significantly exceeding that available from other short-term alternatives is anticipated. Risk arbitrage positions, generally, are dependent on an expectation that profit will be realized from a discrepancy between a security's current market price and an amount associated with an announced corporate event, such as a liquidation, asset sale, merger or tender offer. The strategy generally involves purchasing such securities after the announcement of the transaction at a price that is higher than the pre-announcement market price, but which is lower than the price at which the transaction is expected to be consummated. Ordinarily, the prospect of profit is independent of market behavior and risk is commensurate with the likelihood that the announced event will be delayed, will fail to occur or will occur on altered terms. Depending on the outcome of these factors, the risk arbitrage transaction may yield a rate of return below expectations or result in a significant loss. The strategy may attempt to mitigate such risks, in certain circumstances, through the use of options, short sales and other hedging techniques. Since attractive arbitrage opportunities are often unavailable for long periods of time, it is possible that arbitrage transactions will occur infrequently or not at all.

*Market Neutral (Relative Value or Arbitrage) Trading.* This will involve taking simultaneously long and short positions in two or more instruments to take advantage of perceived relative mispricing of similar instruments while significantly reducing or eliminating other risks that are undesirable.

*Swaps.* The Funds, Master Funds or investments through Other Funds and Managers may enter into swap agreements with other parties in order to obtain additional desired diversification or exposure. Swap agreements are privately negotiated over-the-counter derivative products in which two parties agree to exchange payment streams that may be calculated in relation to a rate, index, instrument, or certain securities and a particular "notional amount." The swap agreements may be entered into between related Funds or between a Fund and an outside party. The swap agreements reference the performance of certain funds held either by a related Fund or by an outside party. This provides exposure to certain investments of such related Fund or such outside parties that a Fund is otherwise precluded from obtaining directly. These swaps may also provide the related Fund or outside party with exposure to certain of the investments of the Fund that the related Funds or outside party could not directly obtain otherwise.

*Options.* Portfolios of the Funds may engage in options transactions for speculation and to hedge against adverse market fluctuations in all or a portion of its investments. A Portfolio may also attempt to take advantage of discrepancies in pricing among related instruments by engaging in spread trading of put and call options on the same underlying market factor at various strike prices or maturity dates. A Portfolio may attempt to purchase the undervalued side of the spread and to simultaneously sell short the overvalued side, with the goal of capturing the convergence to fair prices.

A simple option contract entitles a party to purchase or sell an asset at a specified price on a specified future date, or at any time until that date. The right to purchase or sell the asset is negotiated for a premium (either paid up front or deferred to a future date) paid by the option buyer (who may or may not exercise the right to buy or sell) to the option seller (who is obliged to sell or buy the asset if the option is exercised). Different types of options can carry different features concerning the payoff profile. Participation in the options markets involves certain investment risks and transaction costs. The correlation between the option prices and the prices of the underlying securities may be imperfect, which can cause unforeseen results on hedging transactions. Purchasing options involves the risk that the price of the underlying security will not change as expected, so that a Portfolio would lose the premium it paid for the option, causing a loss if the position was entered for speculative purposes. If a Portfolio writes or sells an “uncovered” or “naked” option (that is an option with regard to underlying assets that such Portfolio does not hold), its losses, theoretically, could be unlimited because the Portfolio would be exposed to the extent of the actual movement in price of the underlying security, without any offsetting results. Further, options transactions can be highly leveraged and, accordingly, gains and losses are magnified.

*Indexed Securities.* Portfolios of the Funds may invest in indexed securities whose value is linked to interest rates, commodities, equities, currencies, price indices or other financial indicators. The value of indexed securities at maturity are determined by such underlying factors. Indexed securities may be positively or negatively related to the underlying factor (that is, they may, for example, increase or decrease in value if the underlying factor appreciates) and may have return characteristics similar to direct investments in the underlying securities or to options thereon. Indexed securities may be more volatile than the underlying securities themselves.

*Repurchase Agreements.* As a means of earning income for periods as short as overnight, Portfolios of the Funds may enter into repurchase agreements with selected banks and broker/dealers. Under a typical repurchase agreement, a Portfolio would acquire a security from another party at one price and the other party would agree to purchase it back from a Portfolio at a higher price after an agreed short period, usually within seven days of the original purchase. This arrangement results in a fixed rate of return that is not subject to market fluctuations during a Portfolio’s holding period. If the other party to the transaction fails to repurchase the security on a timely basis, due to bankruptcy or other factors, a Portfolio might experience delays in recovering its cash and, if the value of the security declines in the interim, the Portfolio would suffer a loss. The Portfolio will, however, enter repurchase agreements only on a fully-collateralized basis.

*Listed and Unlisted Securities.* Portfolios of the Funds may invest in companies whose securities are listed on a recognized securities exchange and, to a lesser extent, in companies whose securities are traded in the over-the-counter markets. In addition, as

and if permitted by the applicable laws and regulations, a Portfolio may also invest to a limited extent in unlisted or unregistered securities.

*Debt Securities.* Portfolios of the Funds may hold positions in fixed-income debt securities, both governmental and corporate, including lower-rated, high yielding debt securities. Investments in lower-rated debt securities, commonly referred to as “junk bonds”, often involve higher risks of default or price depreciation than do investments in higher-rated bonds, due, among other things, to changes in, or concerns regarding, the creditworthiness of the issuers, as well as corporate governance problems. The market prices of such securities may fluctuate more than higher-rated securities and may decrease substantially in periods of general economic difficulty.

*Distressed Securities.* Portfolios of the Funds may trade in, and may sell short, the securities of companies whose prices have been, or are expected to be, adversely affected by distressed situations. The focus of this type of strategy will be primarily securities and other obligations of companies or governments that are encountering significant financial or business difficulties, including issuers which (i) may be engaged in debt restructuring or other capital transactions of a similar nature or (ii) are experiencing poor operating results as a result of unfavorable operating conditions, over-leveraged capital structure, catastrophic events, extraordinary write-offs or special competitive or product obsolescence problems. Portfolios may seek profit opportunities arising from inefficiencies in the market for such securities. Negative events, and the subsequent announcement of a proposed restructuring or reorganization to address them, may create a severe market imbalance, as some holders attempt to sell their positions at a time when few investors are willing to purchase the securities of the troubled issuer. Profits in this sector result from the market’s lack of understanding of the true value of the deeply discounted securities. Results are generally not dependent on the direction of the broad market indices.

*Event Driven Positions.* Portfolios of the Funds may make “event driven” trades as opportunities created by significant transactional events, such as spin-offs, mergers and acquisitions, liquidations, reorganizations, recapitalizations, share buybacks and other extraordinary corporate transactions. Event-driven strategies involve attempting to predict the outcome of a particular transaction as well as the optimal time at which to commit capital to it. The uncertainty about the outcome of these events may create investment opportunities for a Portfolio. Event-driven strategies do not generally rely on market direction for results; however, major market declines, which could cause transactions to be re-priced or even break up, may have a negative impact on the strategy.

*Convertible Securities.* Portfolios of the Funds may trade in convertible securities, that is, securities which may be converted or exercised within a specified period, at a stated price or a stated rate, into underlying shares of stock. These securities include



convertible bonds, convertible preferred stock and warrants. Convertible bonds and preferred stock offer higher yields than do the underlying common stock, but typically lower yields than those available on nonconvertible fixed-income securities. At the same time, convertible securities enable an investor to participate in the capital appreciation resulting from increases in the market price of the underlying common stock. The value of fixed-income convertible securities fluctuates in relation to changes both in interest rates and the market price of the underlying common stock. Because of this, a convertible security is typically not as sensitive to interest rates as a similar nonconvertible fixed-income security nor as sensitive to changes in market factors as the underlying common stock.

*Foreign Currency Transactions.* Investments in foreign securities involve currency risk, such as the risk that the U.S. Dollar value of such securities may be affected adversely by changes in foreign currency exchange rates and exchange control regulations. In order to attempt to protect itself against such risks, Portfolios of the Funds may enter into spot (that is, cash) foreign currency transactions or forward foreign currency exchange contracts and foreign currency futures contracts and may purchase and sell put and call options on foreign currency and on such contracts. These contracts are traded in the inter-bank market among currency traders, typically large commercial banks. While futures contracts generally trade on exchanges and are afforded certain regulatory protections, forward contracts are privately negotiated, less regulated and subject to a greater degree of price volatility.

*Interest Rate Transactions.* Portfolios of the Funds may seek to profit from, or hedge against, interest rate fluctuations affecting portfolio securities by entering into interest rate futures contracts and related options and other interest-rate derivatives.

*When-Issued and Delayed Delivery Securities.* Portfolios of the Funds may purchase securities on a when-issued or delayed delivery basis, for payment and delivery at a specified, later date. The security's price and yield are generally fixed on the date of the commitment to purchase. During the period between purchase and settlement, no interest will accrue to a Portfolio. At the time of settlement, the market value of the security may be more or less than the purchase price and, accordingly, the Portfolio bears the risk of having an unrealized loss at the time of delivery.

Likewise, a Portfolio may also enter into short selling transactions which involve the sale of a security that the Portfolio does not own at a specific price in the expectation of covering the sale by purchasing the security in the open market at a later date at a price lower than the specified price. At the time a short sale is affected, the Portfolio borrows the security from a third party "lender" and delivers it to the buyer. At the same time, it incurs an obligation to replace the borrowed security at the market price prevailing at the time the Portfolio purchases it for delivery to the lender. The market price at such time

can be more or less than the price at which the Portfolio sold the security to the buyer. Since short selling can result in profits during a period of declining securities prices, the Portfolio can, to an extent, use short selling to hedge against market risks. However, the Portfolio would incur losses to the extent that securities sold short increase in value.

Short-selling is a form of leverage. The profit realized by a Portfolio on a short sale will be the difference between the price received on the sale and the cost of the securities subsequently purchased to cover the sale. If the securities sold short increase in value, the Portfolio will incur a loss. Such losses can be, in theory, unlimited, while losses on cash purchases of securities are limited to the amount of cash invested. Further, it is likely that the lenders of the securities borrowed by the Portfolio for short sales will require the Portfolio to collateralize its obligation to replace the borrowed securities with deposits of cash or governmental obligations, thus increasing the costs of such transactions to the Portfolio. Short selling is also subject to certain restrictions imposed under the federal securities laws and the rules of the various national and regional securities exchanges.

*Leverage & Borrowing.* Portfolios of the Funds may use leverage to create a larger and broader portfolio of investments, subject to the limitations imposed under applicable credit and margin regulations. Borrowings can enable a Portfolio to obtain a greater return on its capital than would otherwise be possible, if gains realized on securities purchased with borrowed funds exceed the interest paid on the borrowing. In such case, the value of the Portfolio's portfolio will rise more quickly than would otherwise be the case. On the other hand, if investment gains fail to cover interest costs, or if there are losses, the value of the portfolio would decline faster than would otherwise be the case. The Fund may borrow money in order to pay share redemptions.

*Cash Management.* Consistent with its strategy of concentrating its core interest earning positions mainly in short term liquid instruments (and using the derivatives markets for its tactical market positions), the Funds or their respective Portfolios may invest its cash in short term yield corporate debt instruments, short term U.S. Treasury obligations or U.S. Dollar denominated or foreign currency-denominated treasury obligations of other governments, domestic or foreign bank certificates of deposit or other short-term money market instruments.

*Lending of Portfolio Securities.* To a limited extent, Portfolios of the Funds may from time to time lend securities from its portfolio to brokers, dealers and financial institutions against cash collateral which, while the loan is outstanding, will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities, including any accrued interest or dividend receivable. A Portfolio would invest such cash collateral in short-term securities, the income from which would increase the return to the Portfolio. The Portfolio may pay finders', administrative and

custodial fees to persons unaffiliated with the Portfolio in connection with the arranging of such loans.

While the foregoing description of the various investment strategies reflects its current intentions with respect to current market conditions, Crystal and/or an applicable Portfolio Adviser or investor into a self-directed Portfolio may vary those objectives and strategies to the extent it determines that doing so will be in the best interests of the relevant Funds, Portfolios or investors.

### **Risk Factors**

The value of interests in the Funds may fluctuate upwards as well as downwards and investors may not get back the amount originally invested. Accordingly, an investment in the Funds should only be made by persons who are able to bear the risk of substantial or even total loss of the capital invested. The Funds' performance may be affected by legal, regulatory and tax requirements in the countries in which it invests.

Set forth below are certain factors which should be taken into consideration before making a decision to subscribe for interests in the Funds. While Crystal believes the following to be comprehensive, it is not intended to include all of the factors relating to the risks which may be encountered. These risks should also be read to apply to the Portfolios, Master Funds, Other Funds and Managers and Portfolio Advisers, as applicable.

### **Certain Risks of Other Funds and Managers**

Since the Funds currently intend, but are not required, to invest substantially all of their assets in Other Funds and Managers through the applicable Master Funds, certain risks accompany such a "manager of managers" or "fund of funds" approach to investing.

*Inconsequential Effect of Manager of Managers Investing.* While use of a manager of managers approach may provide some diversification of investment risk, no assurance can be given that such diversification will occur, or that if it does, it will increase, rather than reduce, potential net profits. The Funds may invest a substantial portion of its assets with a limited number of Other Funds and Managers, which may result in minimal diversification. Also, the use of the fund of funds approach may cause the Funds indirectly to hold opposite positions in an investment, thereby decreasing or eliminating the possibility of positive returns from such investment. The diversification that may be afforded by the fund of funds approach may not insulate investors against major disruptions or turmoil in the global financial markets generally, which could result in some or all of the underlying investment vehicles suffering substantial losses simultaneously.

*Certain Other Funds and Managers Not Registered.* Certain Other Funds and Managers invested in by the Funds will not be registered, as applicable, under neither the Investment Company Act of 1940 (the “Company Act”) or the Investment Advisers Act of 1940 (the “Advisers Act”) (or any other similar laws). The foregoing acts provide certain protections to investors and impose certain restrictions on registered investment companies and registered investment advisers, none of which may be applicable to any Other Funds and Managers invested into by the Funds.

*Lack of Operating Histories.* Some of the Other Funds and Managers may also be recently organized and have no operating histories upon which the Funds may evaluate their possible performance.

*Indirect Exposure to Leverage (i.e. margin).* Regardless of whether the Funds utilize leverage, investors may indirectly be exposed to the use of leverage through the Funds’ investments in Other Funds and Managers. The use of leverage, which can be described as exposure to changes in price at a ratio greater than the amount of equity invested, magnifies both the favorable and unfavorable effects of price movements in the investments made by certain Other Funds and Managers. In as much as its Other Funds and Managers are likely to employ a very high degree of leverage in their investment operations, the Funds and their investors will be subject to substantial risk of loss. With volatile instruments, downward price swings can result in margin calls that could require liquidation of investments at inopportune times.

*Lack of Diversification in Other Funds and Managers.* Some of the Other Funds and Managers that the Funds may invest in may concentrate their investments in only a few securities, industries or countries. Accordingly, concentration by the Funds’ individually owned Other Funds and Managers, if any, may cause a proportionately greater loss than if such Other Funds and Managers’ investments had been spread over a larger number of investments.

*Proprietary Investment Strategies of Other Funds and Managers.* Certain Other Funds and Managers may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to Crystal. These strategies may involve risks under some market conditions that are not anticipated by Crystal or the Other Funds and Managers. Certain Other Funds and Managers generally use investment strategies that are different than those typically employed by traditional managers of portfolios of stocks and bonds. The investment niche, arbitrage opportunity or market inefficiency employed by such Other Funds and Managers may become less profitable over time as such Other Funds and Managers and competing asset managers or investors manage a larger group of assets in the same or similar manner or market conditions change. The strategies employed by Other Funds and Managers may involve significantly more risk and higher transaction costs than more traditional investment methods. It is possible that the

performance of Other Funds and Managers may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses to the Funds and its investors.

*Access to Information.* If invested in any Other Funds and Managers, the Funds may receive periodic reports at the same time as, and containing the same information provided to, any other investor in such Other Funds and Managers. Crystal may make requests for additional, more detailed information from such Other Funds and Managers, but there can be no assurance that any such additional information will be provided. In addition, information received by the Funds with respect to such Other Funds and Managers may be subject to confidentiality restrictions. This potential lack of access to information may make it more difficult for Crystal, a Portfolio Adviser or the investor, as applicable, to select, allocate among and evaluate such Other Funds and Managers. Such lack of access may also impact Crystal's ability to value the Fund's assets.

*Investment Program.* The past investment performance of the Other Funds and Managers with which the Funds may invest its assets may not be construed as an indication of the future results of an investment in the Funds. The Funds' investment program should be evaluated on the basis that there can be no assurance that assessments by Crystal, a Portfolio Adviser or an investor into a self-directed Portfolio, to the extent applicable, of the Other Funds and Managers, and in turn their assessments of the short-term or long-term prospects of investment, will prove accurate or that the Funds will achieve its investment objective.

*Illiquid Investments.* The ability of the Funds to redeem all or part of their investment from Other Funds and Managers is generally limited to a quarterly, semi-annual or annual (or longer) basis depending upon the investment, and may be subject to lock-ups and additional restrictions (including possible redemption fees) imposed by the investment managers of such Other Funds and Managers. The Funds may be unable to make redemption payments to investors to the extent it has invested in such Other Funds and Managers that do not permit redemptions, will not honor the Funds' redemption requests or that have invested in or distributed to the Funds a side pocket or illiquid investment. In such event, in the sole and absolute discretion of Crystal, payment to such redeeming investor of the portion of the investor's requested redemption attributable to such side pocket or illiquid investment will be delayed until such time as such Other Funds and Managers, or the Funds, disposes of such side pocket or illiquid investment. In order to make redemption payments to investors, the Funds may be required to liquidate all or a portion of its investment in such Other Funds and Managers at a time when it may be subject to a redemption fee or penalty or at a time when it might not otherwise wish to effectuate such liquidation.

*Lack of Management Control by Investors and by Crystal as Fund Manager.* Crystal as fund manager will generally have no right to participate in the management, control or operation of Other Funds and Managers that are private investment vehicles or to remove their respective managers.

*Multiple Levels of Expense.* To the extent that the Funds invest in Other Funds and Managers, the Funds will bear additional costs and expenses in addition to the Funds' own expenses, management Fee, and performance allocation or performance fee (if applicable). Such Other Funds and Managers will charge their own advisory fees (which may include both management fees and performance fees) and expenses. A specific Other Fund and Manager will receive any performance fees to which it is entitled irrespective of the performance of any of the Other Funds and Managers generally. Accordingly, a specific Other Fund and Manager with positive performance may receive compensation from the Funds even if the Funds' overall returns are negative. As a result of all of the foregoing, the Funds, and indirectly investors in a given Portfolio, will bear multiple levels of expense, which, in the aggregate, will exceed the expenses that would typically be incurred by an investment with a single investment pool or investment manager.

*Investments in Passive Foreign Investment Companies.* To the extent any of the Other Funds and Managers are, or invest in stock of non-U.S. corporations that are, classified as passive foreign investment companies ("PFICs"), U.S. investors will be subject to special rules with respect to the Funds' or its Other Funds and Managers' interest in such PFICs. In this regard, gain (but not loss) recognized upon the sale, exchange or redemption of an equity interest in a PFIC would be treated as ordinary income, and, in addition, a portion of the distributions received with respect to such equity interest could, and any gain realized from the sale, exchange or redemption of such interest would, be subject to the tax imposed on excess distributions under the PFIC provisions of the Internal Revenue Code of 1986, as amended (the "Code").

*Investing in Master-Feeder Structures.* A "master-feeder structure" consists of one or more funds ("feeder funds") that invest substantially all of their assets into a master fund (a "master fund"), which is a vehicle utilized to pool assets of multiple feeder funds in order to attempt to optimize each feeder fund's portfolio. The Funds and their respective Master Funds are master-feeder structures and also may invest in Other Funds and Managers that utilize master-feeder structures. Therefore, any interest of the Funds in the assets of a master fund is indirect an interest in a feeder fund.

Feeder funds and master funds bear additional costs and expenses. As a result, the Funds, and indirectly investors in the Funds, when investing in a master-feeder structure, will bear multiple levels of expense, which in the aggregate will exceed the expenses which would typically be incurred by an investment with a single investment pool. However,

the Funds will generally only be charged one management fee and performance fee when investing in a master-feeder structure, which will generally occur at the feeder fund level and not at the master fund level. However, investors will be exposed to management fees and performance fees or performance allocations at both the Funds and, indirectly, feeder fund levels of such Other Funds and Managers.

Other investors in a master fund may be much bigger than the feeder fund in which the Funds will invest, and alone or collectively may acquire sufficient voting interests at such master fund's level to control matters relating to the operation of such master fund, or may redeem from such master fund, which may result in a less diversified portfolio of investments and could indirectly adversely affect the liquidity and performance of the Funds' investment in the feeder fund. Additionally, other investors in a master fund may have competing interests with the feeder fund in which the Funds may invest. In light of such other investor's competing interests, the master fund may make investment and other decisions at times that are adverse or not as favorable to the interests of the Funds' feeder fund.

There may be additional factors in making investments or entering such transactions which may also cause significant delays, during which a master fund's capital will be committed and interest charges on any funds borrowed to finance the master fund's investments may be incurred.

There is no assurance that the Funds' indirect interest in a master fund by investing in a feeder fund will result in superior performance to that which would have been achieved without the use of a master-feeder structure.

Any interest in a master fund is illiquid and may not be freely transferable, which may affect the feeder fund, and ultimately, the Funds.

The foregoing master-feeder risks should be read equally as applicable to the Funds' own investment in their respective Master Fund (i.e. the Fund's master-feeder structure) in addition to the Funds' investment in third party master-feeder structures of the Other Funds and Managers.

### **Other Business Risks**

*Speculative Nature of the Funds' Investment Program.* Prospective investors should be aware that each investment program is speculative and involves a high degree of risk. The investment strategies utilized by the Funds cannot provide any assurance that one or more of the Portfolios will not be exposed to risks of significant investment and trading losses.

The performance of the Portfolios will depend on the efforts of Crystal and the Other Funds and Managers selected by the Portfolio Adviser or an investor into a self-directed Portfolio. The return of any one of the Other Funds and Managers is impacted by the ability of such Other Funds and Managers to successfully apply its investments techniques to generate profits for such fund. The volatility of the Funds will depend on the nature of the Funds' exposure to investments. There can be no assurance that the Funds, the Portfolios or their respective investors will achieve their objectives or avoid substantial losses.

*Not a Complete Investment Program.* The Funds may be deemed a speculative investment and are not intended as complete investment programs. The Funds are designed generally for institutional investors who are able to bear the risk of loss of their entire investment in the Funds.

*Securities Risks in General.* The Funds will be investing for the most part, in securities (including the Other Funds and Managers) which generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. Furthermore, the Funds are not subject to a specific percentage limit on any particular industry or issuer. Some of these issues may have small capitalizations, limited operating histories, limited following from Wall Street brokerage firms and may be vulnerable to competition from much larger companies. In addition, trading in small issues may be difficult due to liquidity issues.

*General Economic and Market Conditions.* The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Funds' investments.

*Overconcentration/Lack of Diversification.* Portfolios may be constructed in a manner which results in a high concentration in certain strategies, positions or Other Funds and Managers. Portfolios that are less diversified typically result in more rapid change in value than would be the case if the class were required to maintain a wide diversification among strategies, positions or Other Funds and Managers. Crystal and the Funds do not encourage highly concentrated Portfolios but it is the responsibility of the Portfolio Adviser or an investor into a self-directed Portfolio, as applicable, to continually monitor and determine if the Portfolio in the Fund is appropriate within the overall context of the investor's portfolio and given the risk tolerance of the investor. Also, the use of the fund of funds approach may cause a Portfolio indirectly to hold opposite positions in an investment, thereby decreasing or eliminating the possibility of positive returns from such investment. The diversification that may be afforded by the fund of funds approach may not insulate investors against major disruptions or turmoil in the global financial markets



generally, which could result in some or all of the underlying investment vehicles suffering substantial losses simultaneously.

*Exposures.* The Master Funds separate their assets into segregated portfolios, also known as “Exposures,” which are targeted by the respective Portfolios of the Funds. The objective of each Exposure is to target typically one of the Other Funds and Managers. Due to the nature of the construction of the Exposures, the performance of the Exposures created by Crystal in the Master Fund will vary from that of the intended target. Some of these differences will be temporary in nature and others may be permanent. Crystal will make best efforts to replicate the returns and liquidity of the intended target but there are no assurances that it will be successful and the differences could be material. While Crystal will attempt to align the liquidity within the Exposure, redemptions by other investors within the Exposures could negatively impact the overall liquidity and performance of the Exposure. In addition, the availability of Exposures may be limited and the Funds have the right to liquidate the Exposures without prior notice to investors.

*Restricted Securities; Lack of Liquidity.* Interests in the Funds are restricted securities, and are subject to substantial restrictions on transferability. In addition, the Funds do not anticipate a secondary market for the interests and, consequently, holders of interests may not be able to dispose their interests, except as disclosed in the redemption terms for their Portfolio. Certain notice periods and requirements must be met before investors may redeem their interests. The risk of any decline in the capital account values during the period from the date of notice of redemption until the redemption date will be borne by the holders of the interests requesting redemption. The Funds have the power to suspend redemptions of a certain Portfolio or to compulsorily redeem at its discretion in certain circumstances.

The Funds may be unable to make redemption payments to investors of a certain Portfolio to the extent it has invested with a Other Fund and Manager or other security that does not permit redemptions, will not honor the Funds’ redemption requests or that has invested in or distributed to the Funds an asset which is not readily marketable. In such event, in the sole and absolute discretion of the Funds, payment to such redeeming investor of the portion of his requested redemption attributable to such illiquid asset will be delayed until such time as the Other Funds and Manager in which the Funds have invested, or the Funds themselves, dispose of such illiquid asset.

*Swaps.* The Funds may enter into swap agreements with bonafide counterparties or other funds, including related Funds. The swap agreements may be entered into directly by a Fund, a Portfolio or through a Master Fund, at the discretion of Crystal. These swaps are contracts to buy, sell or exchange a portion of the profits or losses of an investment owned by another party. Accordingly, the Funds and certain Portfolios may have

investment risk exposure not only with respect to its assets, but also as to certain assets owned by others to the extent the Funds and Portfolios participate in swaps.

*Leverage.* The Funds may utilize leverage. The use of leverage increases the potential for return or loss and increases the volatility of the Portfolios. Leverage can be obtained in many formats, including buying and selling securities on margin, borrowing funds, investing in options, futures and warrants, engaging in short sales and otherwise utilizing leverage. There is no self-imposed limit on the amount of leverage that the Funds can borrow.

*Counterparty Risk; Financial Difficulties of Institutions and Custodians.* Some of the instruments in which the Funds' assets may be invested may be traded in markets in which performance will be the responsibility only of the individual counterparty and not of an exchange or clearinghouse. In these cases, the assets will be subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts.

There is the possibility that institutions, including brokerage firms and banks with whom the Funds or Other Funds and Managers do business, or to which securities have been entrusted for custodial purposes, will encounter financial difficulties that may impair the operational capabilities or the capital position of the fund or account managed by the Funds or Other Funds and Managers.

*Performance-based Compensation.* Performance allocations (or performance fees) may be applicable to certain Portfolios of the Funds or to classes within such Portfolios. This fee structure may create an incentive to make investments that are riskier or more speculative than would be the case if Crystal was only paid a fixed fee.

In addition, because the applicable performance allocation (or performance fees), if any, is calculated on a basis that includes unrealized appreciation of the Funds' assets, it may be greater than if such allocation was based solely on realized gains. In addition, Crystal's investment in the Funds may be relatively small, so that the Funds may make riskier investments than would otherwise be the case.

*Length of Operations.* There can be no assurance that the Funds or the Other Funds and Managers will achieve their investment objectives. The past investment performance of the Funds, Other Funds and Managers, and/or Crystal and its principals or entities with which they have been associated may not be construed as an indication of the future results of an investment in the Funds. The Funds' investment program should be evaluated on the basis that there can be no assurance that the short-term or long-term prospects of investments will prove accurate.

*Cayman Islands Residence.* The offshore Funds and Master Funds are organized and have their principal business office in the Cayman Islands. The books and records of the

offshore Funds and Master Funds will be maintained in the Cayman Islands and will not generally be available for inspection by investors except at such Funds' or Master Funds' office in the Cayman Islands. The Cayman Islands organization and residence of the offshore Funds may make it more difficult for investors to enforce their legal rights than if such Funds were organized and resident in a major capital market country such as the United States. It is unlikely that the Cayman Islands courts would accept jurisdiction over claims based on the violation of the securities laws of the United States or other countries. Therefore, it may be difficult for an investor to enforce his rights under his home country's investor protection laws against the offshore Funds. The offshore Funds will also incur U.S. withholding taxes and other costs which would not be applicable with respect to U.S. investors if such Funds were organized and had their principal place of business in the United States.

*Absence of Regulatory Oversight.* The Funds have not been registered under the U.S. Securities Act in reliance on the exemptive provisions of Section 4(2) of the U.S. Securities Act and Regulation D promulgated thereunder. Similar reliance has been placed on apparently available exemptions from securities qualification requirements under applicable state securities laws. No assurance can be given that the offering currently qualifies or will continue to qualify under one or more of such provisions due to, among other things, the adequacy of disclosure and the manner of distribution, the existence of similar offerings in the past or in the future, or the retroactive change of any securities law or regulation. If, and to the extent that, claims or suits for rescission are brought and successfully concluded for failure to register this offering or other offerings or for acts or omissions constituting offenses under the U.S. Securities Act, the U.S. Securities Exchange Act of 1934 or applicable state securities laws, the Funds could be materially and adversely affected, jeopardizing the ability of the Funds to operate successfully. Furthermore, the human and capital resources of the Funds and Crystal could be adversely affected by the need to defend actions under these laws, even if the Funds are ultimately successful in its defense.

During any period of time in which any Portfolio of the Funds would be an "investment company" within the meaning of Section 3(a) of the Company Act, each Portfolio currently intends to rely on the exceptions afforded by either Sections 3(c)(1) or 3(c)(7) thereof. Section 3(c)(7) excepts an issuer of securities from the definition of investment company if its outstanding securities are beneficially owned in the United States exclusively by "Qualified Purchasers" and if it is not making and does not presently propose to make a public offering of its securities. The rules and interpretations of the SEC and the courts, relating to the definition of "Qualified Purchaser", are highly complex and uncertain in numerous respects.

Crystal believes that, by virtue of Section 3(c)(1) of the Company Act, certain Portfolios of the Fund should not be deemed to be an "investment company" and,

accordingly, should not be required to register as such under the Company Act. That provision depends, in part, however, on the Funds' voting securities (if the interests were to be deemed "voting securities" for purposes of Section 3(c)(1) of the Company Act) being held by not more than 99 beneficial owners. The rules and interpretations of the SEC and the courts, relating to the definition of "voting securities" and the counting of "beneficial owners" are highly complex and uncertain in numerous respects. As a result of the foregoing regulatory uncertainties pertaining to Sections 3(c)(1) and 3(c)(7) of the Company Act, no assurance can be given that any of the Funds will not be deemed an "investment company" for purposes of the Company Act and required to register as such thereunder, in which event a Fund and Crystal could be subject to legal actions by regulatory authorities and others and could be forced to terminate. The costs of defending any such action could constitute a material part of the Funds' assets and termination could have materially adverse effects on the Funds and the value of an investor's interest in the Funds.

Because the none of the Funds intend to register as an investment company under the Company Act by virtue of either Sections 3(c)(1) or 3(c)(7) thereof, the protective provisions of the Company Act will generally not apply to the Funds, including, but not limited to, the provisions of the Company Act that require, among other things, a company's board of directors, including a majority of disinterested directors, to approve certain of a fund's activities and contractual relationships, and prohibit a company from engaging in certain transactions with its affiliates. In addition, the Funds will not be subject to requirements such as annual review and approval of an investment advisory contract by a disinterested majority of a board of directors and other governance safeguards that the Company Act imposes.

Securities and investment businesses generally are comprehensively and intensively regulated under national and international laws and regulations. Any investigation, litigation or other proceeding undertaken by national and international regulatory agencies or private parties could necessitate the expenditure of material amounts of the Funds' funds for legal and other costs and could have other materially adverse consequences for the Funds.

Because securities of the Funds held by broker-dealers generally may not be required to be held in the Funds' name, a failure of such a broker-dealer may have a greater adverse impact on the Funds than if such securities were registered in the Funds' name. Crystal is registered as an investment adviser with the SEC, and acts as the fund manager of the Fund. The mere fact that an adviser is registered with the SEC does not imply any particular level of skill or training.

Pursuant to rules of the Commodity Futures Trading Commission ("CFTC"), Crystal, as fund manager, is not required to register with the CFTC as a Commodity Pool Operator

("CPO") with respect to certain Funds. In such circumstances, Crystal has filed claims of exemptions with the National Futures Association (the "NFA"). Pursuant to 17 C.F.R. §4.13(a)(4), and with respect to Portfolios relying on exemption from Section 3(c)(7) of the Company Act, Crystal is exempt from such registration because (1) the Funds are exempt from registration under the U.S. Securities Act and the interests are offered and sold without marketing to the public in the United States; and (2) each person investing in the Funds is a "Qualified Eligible Person" as defined under 17 C.F.R. §4.7(a)(2). The foregoing exemption will allow 3(c)(7) exempt Portfolios to buy futures without limits. With respect to Portfolios exempted pursuant to section 3(c)(1) under the Company Act, Crystal, as fund manager, is exempt from such registration because: (a) Crystal reasonably believes that each investor in such Portfolio is an "accredited investor", (b) no more than 100% or 5% of the Portfolios' liquidation value will be allocated to net notional value or initial margin and premiums, respectively, of commodities, and (c) the Portfolio is not marketed as a vehicle for trading commodities. With respect to a Portfolio's indirect investments in commodities through its investments in Other Funds and Managers, if any, the Portfolio may satisfy the percentage limitations in item (b) of this paragraph by allocating no more than 50% of the Portfolio's assets to other funds that trade commodity interests (without regard to the level of commodity interest trading engaged in by such other funds). Crystal is not required to deliver a disclosure document and a certified annual report to investors in certain Funds. Additionally, pursuant to CFTC rules, Crystal is not required to register, with the CFTC as a Commodity Trading Advisor ("CTA") with respect to certain Funds. As a result of these exemptions, Crystal is not subject to certain statutory provisions and regulations intended to protect commodity pool investors with respect to certain Funds, nor is Crystal currently subject to examination by the CFTC, NFA or state regulatory authorities with respect to its commodity trading activities with respect to certain Funds. Notwithstanding the foregoing, Crystal is registered with the NFA, and is a registered CTA and CPO with respect to a Fund that has wound down. The mere fact of such designations does not imply any particular level of skill or training. Additional information about Crystal is also available on the NFA's website at [www.nfa.futures.org](http://www.nfa.futures.org).

*Increased Regulations.* Events during the past few years (including market volatility and disruptions and the bankruptcy, failure, improper practices, and adverse financial results of certain financial institutions, trading firms, and private investment funds) have focused attention upon the necessity of firms engaging in the trading of highly leveraged securities, commodities, and derivatives to maintain adequate risk controls and compliance procedures. In addition, these events have led to increased governmental and self-regulatory authority scrutiny of various trading participants and the "hedge fund" industry in general, particularly with regard to business practices, short sales, transparency and monitoring of trading positions, and protection of customer funds. Most recently, U.S. regulators have increased scrutiny, reporting requirements,

restrictions, and regulations pertaining to short sales of securities (including, but not limited to, short sales of publicly traded financial companies and transactions in excess of US\$10,000,000), regardless of whether or not the entity engaging in shorting investment activities is a public or private entity; such regulations may limit the Funds' strategy and increase compliance risks to the Funds. Additionally, inquiries have been conducted to ascertain the investor protection implications of the growth of private investment funds, and proposals have been made with regard to best business practices and additional regulation of such funds, their operators and advisers, and certain of their activities, including proposed restrictions on certain types of trading and proposals for increased public and private disclosure of financial, trading, and risk management information. Certain of such proposal would be applicable to non-U.S. funds managed by U.S. based advisers such as Crystal. The regulation of futures, forward and options transactions in the United States is a rapidly changing area of law and is subject to modification by government and judicial action. In addition, various national governments have expressed concern regarding the disruptive effects of speculative trading in the currency markets and the need to regulate the "derivatives" markets in general. Any regulations that restrict the ability of the Funds to employ, or broker-dealers and counterparties to extend, credit in connection with the Funds' trading, or otherwise restrict the Funds' trading activities, or require the Funds to disclose proprietary information, or subject the Funds to additional regulation, could adversely impact the Funds' profit potential.

*Lack of Management Control by Investors.* Under the offering documents, investors do not have the right to participate in the management, control or operation of the Funds or to remove Crystal, as fund manager, under any circumstances.

*Use of Side Letters.* The Funds may from time to time seek to induce investment by offering investment terms which are not available to other investors in the Funds. In such cases the parties may enter into a written side arrangement varying the terms of the offer. Such variations may include, without limitation, variations to fees, minimum investment or redemption terms, with the effect that not all investors in the Funds will invest on the same terms and some investors may enjoy more favorable terms and information than other investors. There is no limit with respect to the percentage of investors who may receive side letters in Crystal's discretion. Accordingly, a significant percentage of investors may have special rights.

In some cases you may be at a disadvantage and suffer losses if we grant other investors preferred access to information, especially if coupled with preferred rights to redeem. We believe such practice to be reasonable however, because it is fully disclosed, and we expect that in many cases preferential terms will be given only to large investors or early investors who provide benefits of scale to the Funds that benefit all investors.

The foregoing discussion with respect to side letters may also apply to the Funds' investment with Other Funds and Managers, which means other investors with the Other Funds and Managers may be granted more favorable terms than the Funds.

*Hedging Transactions.* The Funds may utilize financial instruments such as forward contracts, currency options and interest rate swaps, caps and floors both for investment purposes and to seek to hedge against fluctuations in the relative values of an Exposure or Portfolio. Hedging against a decline in the value of a position does not eliminate fluctuations in the values of positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the positions' value. Such hedging transactions also limit the opportunity for gain if the value of the position should increase.

Although the intent of hedging is to reduce fluctuations in the value of the portfolio as a whole, in certain circumstances, particularly when markets are subject to extreme events, hedging activity may add to the volatility of the portfolio. This may occur when previously observed correlations in the markets break down. Moreover, for a variety of reasons, Crystal, a Portfolio Adviser or an investor into a self-directed Portfolio may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. Furthermore, Crystal, a Portfolio Adviser or an investor into a self-directed Portfolio may determine not to hedge against certain risks because it fails to anticipate the occurrence of such risk or believes that the occurrence is too unlikely to justify the cost of the hedge. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Portfolios.

*Other Derivative Instruments.* New derivative techniques and instruments continue to be developed, and the Funds reserve the right to use any such techniques and instruments as may be developed to the extent it determines that they are consistent with applicable regulatory requirements. The Funds may use derivative instruments (including future contracts, options and over the counter instruments) to trade or to hedge. Derivatives can be highly leveraged and quite volatile. When 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 (such as a currency) may prevent the user from achieving the intended hedge effect or expose it to the risk of loss. In addition, derivative instruments may not be liquid in all circumstances, so that in volatile markets a holder may not be able to close out a position without incurring a loss. For example, daily limits on price fluctuations and speculative position limits imposed by futures exchanges on which the Funds may trade may prevent prompt liquidation of positions, subjecting it to the potential of greater losses. Many derivative transactions may not be on an organized exchange and may not be subject to regulation by U.S. or foreign

regulators. In some cases such derivatives may be traded in markets that have limited liquidity making it difficult or impossible for the execution of trades at a desired price and may expose the Funds to the risk of counterparty non-performance or failure.

*Potential Conflicts of Interest.* In addition to trading for the account of the Funds, Crystal, Portfolio Advisers and their respective principals may engage in investment and trading activities for their own account and may also manage the trading of other investment and trading accounts with objectives similar to those of the Funds, including other funds or other collective investment vehicles which may in the future be managed or sponsored by Crystal or its principals and in which Crystal or its principals may have an equity interest. Crystal is not obligated to devote any specific amount of time to the affairs of the Funds and is not required to accord exclusivity or priority to the Funds in the event of limited trading or investment opportunities arising from the application of speculative position limits or other factors. In managing other accounts or trading or investing for their own accounts, each of Crystal, Portfolio Advisers and their respective principals may take positions which are opposite, or ahead of, positions taken for clients, including the Funds. Crystal and its affiliates intend to allocate investment opportunities to their clients, including the Funds, and themselves in accordance with their fiduciary duties. Likewise, Crystal expects that Other Funds and Managers with which the Funds may invest will allocate investment opportunities to their clients, including the investment fund in which the Funds have invested, in accordance with their fiduciary duties without supervision or control by Crystal. The principals of Crystal are permitted to engage in other business activities.

## **Tax Risks**

*Generally.* The Funds will not seek rulings from the Internal Revenue Service ("IRS") or any legal opinion with respect to any federal income tax considerations. Moreover, the Funds may take positions as to which the tax consequences are unclear. No assurance can be given that the currently anticipated income tax treatment of an investment in the Funds will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment of the investors.

*Tax & ERISA Risks.* Although the offshore Funds have no intention of establishing an office in the United States and will have their principal office in the Cayman Islands, it is possible that the Internal Revenue Service of the United States may at some time in the future take the position that the U.S. office of Crystal constitutes the principal office of such Funds. If the Internal Revenue Service makes this argument, and is successful, the income of the Funds may, due to future changes in the law, be subject to United States taxation in whole or in part and certain U.S. tax reporting requirements.



The tax laws of the United States change with some frequency. It is possible that the tax laws of the United States could be modified to subject some or all of the income to be realized by the offshore Funds to United States income taxation. The offshore Funds have been established only in conjunction with the current state of United States income tax laws and any amendment to such laws could have a substantial negative impact to the net income of the offshore Funds.

Certain investors may be subject to laws, rules and regulations that may regulate their participation in the offshore Funds or their engaging directly, or indirectly through an investment in the offshore Funds, in investment strategies of the types such Funds may utilize from time to time. Each type of entity may be subject to different laws, rules and regulations, and prospective investors should consult with their own advisers as to the advisability and tax consequences of an investment in the Funds. The Funds may take positions as to which the tax consequences are unclear.

The Funds or any Portfolio and/or class may be subject to the fiduciary, prohibited transaction, reporting and disclosure rules of ERISA and the Code. Accordingly, to the extent applicable, any assets of the Funds subject thereto shall be managed in accordance with such rules. Although Crystal believes it to be unlikely, this may require the Funds and/or applicable Portfolios to forego, from time to time, investments or other arrangements on behalf of the Funds and/or relevant Portfolios that might otherwise have been desirable for the Funds and/or such Portfolios. In addition, the pool of available Exposures may be limited which may in turn limit the Funds' ability to invest in accordance with its investment objective and strategy.

*Investor's Tax Liability May Exceed Distribution.* Investors may be liable for taxes on amounts of income allocated to them even though no distributions are made and even though the transaction that results in the gain does not generate any cash. Also, the Funds might sustain losses offsetting such profits after the end of the year, and the Funds may never receive the profits on which they were taxed.

*Disallowance of Certain Items.* The right of investors to take deductions for certain expenses or losses may be challenged by the IRS, whose position may be sustained in the courts. No assurance can be given that any losses or deductions or other potential federal income tax advantages or which prospective investors may otherwise contemplate, will be available for federal income tax purposes.

*Characterization of Items.* The IRS may take the position that gains treated by the Funds as capital gains are ordinary income, or that capital gains treated by the Funds as long-term are short-term, or that losses treated by the Funds as ordinary losses are capital losses. No assurance can be given that the treatment by the Funds of these or similar characterization issues will be ultimately sustained.

*Audit Risks.* Certain Funds must file annual federal information returns and will also be required to file state and local information returns. Any return filed by the Funds may be audited and any such audit may result in adjustments and in an audit of an investor's own tax return. Such an audit could result in adjustments to non-Fund as well as Fund items and could involve additional expenses for the investor being audited.

*Treatment of the Portfolios.* With respect to the onshore Fund, the IRS has not made a determination as to whether each series in a Delaware limited liability company should be considered a separate entity for federal income tax purposes, although there is no authority to our knowledge to suggest that such separation is the appropriate treatment. If the IRS were to take such a position, the primary impact on the Fund would be uncertain.

*Miscellaneous.* Certain investors may be subject to laws, rules and regulations that may regulate their participation in the Funds or their engaging directly, or indirectly through an investment in the Funds, in investment strategies of the types the Funds may utilize from time to time. Each type of entity may be subject to different laws, rules and regulations, and prospective investors should consult with their own advisers as to the advisability and tax consequences of an investment in the Funds.

*Extraordinary Events.* Recent terrorist activity and United States involvement in armed conflict demonstrate that such events may negatively affect general economic fortunes, including sales, profits and production, and may lead to depressed securities prices and problems with trading facilities and infrastructure.

*Legal Risk.* Many of the laws that govern private and foreign investment, securities transactions and other contractual relationships are new and largely untested. As a result, the offshore Funds may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the offshore Funds and their operations. Furthermore, it may be difficult to obtain and enforce a judgment in a court outside of the Cayman Islands or the United States.

*No Independent Counsel.* No independent legal counsel has been retained to represent the interests of the holders of the interests in the Funds. Each prospective investor is therefore urged to consult its own counsel as to the terms and provisions of the Funds and with regard to all other related documents.

*Contagion Risks Among the Portfolios.* Even though the onshore Fund currently intends to organize each of the onshore Fund and the onshore Master Fund into series of limited liability company interests, which Crystal believes will generally quarantine the assets and liabilities of one Portfolio from any other Portfolio of the onshore Fund and of one Exposure from another Exposure of the onshore Master Fund: (i) classes within the same Portfolio share risks and liabilities; (ii) different Portfolios may target the same Exposures which means some risk is shared among the onshore Fund's Portfolios; and (iii) notwithstanding the onshore Fund's efforts to organize the onshore Fund and interests by series and the onshore Master Fund and Exposures by series, there is no guarantee assets and liabilities will be quarantined within each series under Delaware law, including in the event the liabilities of any single series exceeds the assets of any such series.

Even though the offshore Funds and their respective offshore Master Funds are organized as segregated portfolio companies in the Cayman Islands, which Crystal believes will generally quarantine the assets and liabilities of one Portfolio from any other Portfolio of such Fund and of one Exposure from another Exposure of such Master Fund: (i) classes and subclasses within the same Portfolio share risks and liabilities; (ii) different Portfolios may target the same Exposures which means some risk is shared among such Fund's Portfolios; and (iii) notwithstanding the Fund's efforts to organize such Fund and shares by Portfolio and such Master Fund and Exposures by Portfolio, there is no guarantee assets and liabilities will be quarantined within each Portfolio under laws other than those of the Cayman Islands, including in the event the liabilities of any single Portfolio exceeds the assets of any such Portfolio.

The foregoing list of certain risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors should read the offering documents for the relevant Fund and consult with their own advisors before deciding whether to invest in such Fund.

#### Item 8. Disciplinary Information

Crystal and its employees do not have any material legal or disciplinary events.

#### Item 9. Other Financial Industry Activities and Affiliations

Crystal is the Managing Member of the onshore Fund and the onshore Master Fund. Crystal is the offshore Funds' sponsor and owns all of the issued and outstanding founder's shares of the offshore Funds and the offshore Master Funds.

Crystal is an NFA member, registered CTA and registered CPO. The mere fact of such designations does not imply any particular level of skill or

training. Additional information about Crystal is also available on the NFA's website at [www.nfa.futures.org](http://www.nfa.futures.org).

Item 10. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

**Code of Ethics and Personal Trading**

Crystal has adopted a Code of Ethics pursuant to 17 C.F.R. § 275.204A-1. The Code of Ethics sets forth the applicable policies, guidelines and procedures that promote ethical practices and conduct by all Crystal employees. All Crystal employees review and acknowledge reviewing the Code of Ethics on an annual basis.

The Code of Ethics prohibits certain types of personal securities transactions. This policy specifies certain permitted personal investments and establishes reporting and preclearance requirements and enforcement procedures. The Code of Ethics also includes guidelines relating to insider trading and gifts. The Code is designed to assure that the personal securities transactions and interests of the employees will not interfere with making decisions in the best interest of clients.

Investors may request a copy of the firm's Code of Ethics by contacting the firm's Chief Compliance Officer at (305) 868-1500.

**Participation or Interest in Client Transactions**

Crystal receives both a management fee and a performance fee (or performance allocation) with respect to certain classes of the Multi-Strategy Portfolios. Certain Crystal employees also maintain personal investments within the Funds.

Please see Item 5 above for a discussion of fees.

Item 11. Brokerage Practices

The following summarizes the brokerage practices of the Funds. Crystal expects Portfolio Advisers and Other Funds and Managers to have similar brokerage practices as well. To the extent the Funds and their Portfolios do not invest directly, this section will apply primarily to the Other Funds and Managers.

The Funds may pay commissions to brokers because it regards commissions as a necessary incentive to secure the best performance and services from brokers. Generally, money market and certain other fixed income securities are purchased from the issuer or a primary market maker acting as principal and are traded on a net basis and do not involve brokerage commissions. Fixed income securities, as well as equity securities, may also be purchased from underwriters at prices which include underwriting fees. However, the cost of executing securities transactions for the Funds will generally consist

of dealer spreads and brokerage commissions. For purposes of this discussion, the term "brokerage commissions" may include both commissions paid to brokers in connection with transactions effected on an agency basis and markups, markdowns, commission equivalents or other fees paid to dealers in connection with certain transactions as encompassed by relevant SEC interpretation. The Funds' securities transactions may generate a substantial amount of brokerage commissions and other compensation, all of which the Funds, not Crystal, will be obligated to pay.

Crystal will have complete discretion in deciding what brokers and dealers it will use and in negotiating the rates of compensation the Funds will pay. Crystal may use affiliates in the execution of the Funds' securities transactions. In order for such persons to effect any portfolio transactions for the Funds, the commissions, fees or other remuneration received by such persons must be reasonable and fair compared to the commissions, fees or other remunerations paid to other brokers in connection with comparable transactions involving similar securities being purchased or sold during a comparable period of time. The determination and evaluation of the reasonableness of the brokerage commissions paid in connection with portfolio transactions are based to a large degree on the professional opinions of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. This standard would allow the affiliate to receive no more than the remuneration which would be expected to be received by an unaffiliated broker in a commensurate arms-length transaction. In addition to using brokers as "agents" and paying commissions, the Funds may also buy or sell securities directly from or to dealers acting as principal at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters or dealers.

Crystal will select, and allocate portfolio transactions to, brokers and dealers on the basis of best execution and in consideration of a variety of factors determined in the sole discretion of Crystal (including, but not limited to, the broker's provision or payment of the costs of research and related services or products and other services or property (including, but not limited to, hardware, software, databases, news, technical and telecommunications services and equipment utilized in the investment process whether or not they qualify as "research" under the soft dollars safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended)) ("Services"). In addition to the foregoing Services, subject to seeking best execution, Crystal may also consider referrals of potential investors in the Funds as a factor in its selection of brokers and allocation of portfolio transactions. As such, the Funds may direct commissions in consideration of Fund referrals. This practice may cause the Funds to pay more than the lowest

commission available and poses conflicts of interest for Crystal because sales of interests in the Funds may increase Crystal's fees and income from the Funds.

The receipt of Services from brokers is not expected to reduce significantly the expenses of the Funds. By allocating transactions in this manner, Crystal will be able to supplement its research and analysis with the views and information of other securities firms. It is not possible to place a dollar value on information and services to be received from brokers and dealers, since it is only supplementary to the research efforts and statistical analysis of Crystal. Obtaining Services from a broker using commissions ("soft dollars") may cause the Funds to pay more for such Services than if the Funds had otherwise purchased such Services directly from such broker using the Funds' assets ("hard dollars"). Crystal may, in its sole discretion, use soft dollars and/or hard dollars to obtain, and pay up to 100% of the cost of, Services. Up to 100% of the Funds' trades may be Soft Dollar trades. All, or any portion, of the Funds' trades may be used to purchase Services through the use of soft dollars. Certain Services may only be purchased from the Funds' brokers through the use of soft dollars and not hard dollars. Additionally, from time to time, the Funds may request and receive cash rebates when there is a soft dollar commission credit built up at an executing broker. Some of the Funds' soft dollar arrangements with certain brokers may require a targeted dollar amount of commissions to be directed to such broker in order for the Funds to receive Services from such broker. Such targets pose risks and conflicts because they may provide Crystal incentive to overtrade the Funds. Crystal believes that Services provided by brokers are of significant value to the Funds. Accordingly, when certain Services, including in particular research, may only be obtained through using soft dollars or reaching a targeted amount of directed commissions, Crystal may, in its sole discretion, use the Funds' assets to generate enough commissions necessary with a broker, regardless of whether or not such transactions would have otherwise been made, in order to obtain the desired Services from such broker. Crystal believes these practices are reasonable and not a breach of fiduciary duty in light of the value to investors of the Services received. Brokerage commissions, and specifically soft dollar commissions, may be significant and potentially exceed the management fee. From time to time, Crystal may receive additional non-research Services from other counterparties. Crystal is satisfied that these investment related Services assist in the performance of advisory duties and allow it to provide a cost effective service.

In some instances, the Services obtained from a broker in return for soft dollars may be provided directly to Crystal and its affiliates by a third party rather than the broker. In such cases, the broker will have a direct obligation to pay such third party rather than Crystal and its affiliates. As a result, the broker to whom Crystal is directing client transactions is effectively defraying the cost of such product or service to the Crystal and its affiliates.

The Services furnished by a broker or other party, which are paid by the Funds with soft and/or hard dollars, may benefit Crystal and/or its affiliates in rendering investment services to other clients and benefits the Crystal by potentially saving Crystal from paying for Services itself. Such benefits to Crystal and/or its affiliates may lead to conflict of interest and increase commission costs borne by the Funds. Some of Crystal's clients may direct their own brokerage. Thus, those clients may require Crystal to send their trades to a particular broker in some cases so that the client may receive some direct benefit. Other Fund Manager accounts may be somewhat limited in their brokerage placement discretion and very often send the bulk of trades to a broker-dealer sponsor, which may or may not provide research. Other advisory clients may prohibit Crystal from paying up for research or permit proprietary research but not third-party research. In each of these cases, these advisory clients may be benefiting, through an improved investment process, from research obtained through commission dollars of the Funds, which has not so restricted Crystal's brokerage discretion. Crystal may, but is not required to, make any appropriate allocations so that it bears the cost of any Services used for purposes other than for research (e.g., for administration). While the Funds generally will seek reasonably competitive spreads or commissions, the Funds will not necessarily be paying the lowest spread or commission available. The Funds may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the Services provided by the broker. Before causing the Funds to pay such higher compensation, Crystal will make a good faith determination that the compensation is reasonable in relation to the value of the Services provided viewed in terms of the particular transaction for the Funds or Crystal's overall responsibilities to the Funds. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. The Funds anticipate that because of the nature of their investment program, they may fall outside of the safe harbor for "soft dollars" under Section 28(e) of the Securities Exchange Act of 1934, as amended. That means for at least some purposes investors should view brokerage commissions as if they were an increase to the management fee since the Funds' expenses will increase as a result of paying for premium brokerage and research and Crystal not paying the Funds back out of its management fee for the value of the resulting Services received.

#### Item 12. Review of Accounts

As part of its fund management services to all Portfolios of the Funds, investor accounts are monitored quarterly, generally by Crystal's Chief Financial Officer. Through these reviews Crystal seeks to ensure adherence to the Funds' offering. Crystal provides the Portfolio Advisors with significant information so that the Portfolio Advisors can review their accounts, at minimum quarterly.

For the Multi-Strategy Portfolios (or any other Portfolios for which Crystal may be the Portfolio Adviser), Crystal's investment committee will also perform a quarterly review to seek to ensure that such Portfolios are aligned with their investment objectives.

Crystal prepares a written consolidated monthly account statement for each investor in a Portfolio of the Funds. Account statements show detailed portfolio analytics as well as account balance, allocation details, estimated performance details and other information for the applicable reporting period. Account statements are provided to investors via Crystal's secure website and/or in writing via mail, at the investor's election. Account statements showing final net asset value calculations are available from the Funds' administrator upon request.

Crystal also prepares an annual consolidated Schedule K-1 tax form for each US investor.

#### Item 13. Client Referrals and Other Compensation

Crystal does not receive any economic benefits other than (i) management fees paid by Portfolios of the Funds, and (ii) performance fees paid by certain classes of the Multi-Strategy Portfolios. Crystal and its representatives do not receive any economic benefits from any third parties (including, without limitation, Portfolio Advisers, Placement Agents and Other Funds and Managers) with respect to services offered to investors.

From time to time, the Funds may retain Placement Agents in connection with the offer and sale of interests of the Funds. If applicable, Placement Agents may receive a placement fee from the Funds on behalf of the investor which has been introduced, directly or indirectly, by the Placement Agent. If applicable, the placement fee may include a continuing fee paid to Placement Agent by the applicable Portfolio quarterly in arrears for so long as such investor is invested in such Portfolio. If applicable, Crystal's management fee will be reduced by the amount of the placement fee.

#### Item 14. Custody

Crystal may be deemed to have constructive custody of certain client assets as a result of its service as the Managing Member of the onshore Fund and Master Fund, or its service as sponsor and owner of the issued founder's shares of the offshore Funds and Master Funds. Actual physical custody of the Funds' and other client assets, however, is custodied at the Bank of New York Mellon as the Fund Custodian, not at Crystal.

#### Item 15. Investment Discretion

The Portfolio Adviser, if any, is selected by the investor(s) into a Portfolio. The Portfolio Adviser typically exercises exclusive investment discretion over such Portfolio, as described in the offering documents. Certain investors may elect not to utilize the advisory services of a Portfolio Adviser and therefore have a self-directed Portfolio.



Such investors have full discretionary investment authority with respect to their self-directed Portfolios and are responsible for making all investment decisions including, without limitation, the ongoing monitoring of their investment objectives, allocations, risk and liquidity with respect to such Portfolios. Crystal, solely in its capacity as fund manager, does not have discretionary investment authority or provide advisory services to any Portfolios.

Crystal, as the Portfolio Adviser to the Multi-Strategy Portfolios, exercises investment discretion over the Multi-Strategy Portfolios. Crystal may provide advisory services to such other Portfolios of the Funds whose investors, from time to time, may select Crystal as their Portfolio Adviser. This authority is established through the subscription documents completed and signed by each investor.

Item 16. Voting Client Securities

Investors are not entitled to voting rights, except in such special circumstances as provided in the offering documents.

Item 17. Financial Information

In certain circumstances, registered advisors are required to provide information or disclosures regarding their overall financial health. Crystal currently has no financial condition that would impair its ability to meet contractual and fiduciary commitments to clients and has never been the subject of any bankruptcy proceedings.

Item 18. Requirements of State-Registered Advisers

This Item is not applicable to Crystal.