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## **Form ADV Part 2A – Disclosure Brochure**

March 31, 2017 (revised as of April 17, 2017)

**This brochure provides information about the qualifications and business practices of Credit Suisse Securities (USA) LLC (“CSSU” or the “Registrant”). If you have any questions about the contents of this brochure, please contact your CSSU registered adviser representative or Investor Relations at 877-435-5264.**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**Registration with the SEC does not imply a certain level of skill or training.**

## II. Material Changes

There have been no material changes made to the Registrant's brochure since the last annual update of the brochure dated March 31, 2016, although the Registrant has updated certain disclosures concerning:

- Disciplinary Information (including new disclosure of an SEC settlement in April 2017);
- Custody;
- Review of Accounts; and
- Voting Client Securities.

Additional information about the Registrant, including a full copy of the current brochure, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **IV. Advisory Business**

### **Types of Advisory Services Offered by CSSU**

#### **Direct Equity Partners' Program**

CSSU serves as investment manager to Direct Equity Partners (the "DEP Program"), a co-investment program that offers ultra-high net worth clients, who meet certain eligibility requirements, the opportunity to participate in private equity/buy-out, real estate and venture capital investment deals ("Investment Deals"). Such participation may be on a deal-by-deal basis or pursuant to an agreement that permits CSSU to make investments on the client's behalf on a discretionary basis for renewable terms of one year each. CSSU will create separate deal-specific structures for each investment opportunity (each an "Investing Entity"), which will typically include an onshore offering for U.S. clients through a private placement pursuant to Section 4(a)(2) of Securities Act of 1933 ("1933 Act") and an offshore offering for non-U.S. clients pursuant to Regulation S under the 1933 Act. CSSU and its affiliates will generally commit up to 3% of the capital to be invested in each Investment Deal. In addition, certain employees of CSSU and its affiliates are also expected to commit additional capital, such that the aggregate capital commitment by CSSU, its affiliates and such employees is expected to be up to 5.5% of the capital invested in each Investment Deal.

In order to participate in the DEP Program, each client must execute an agreement (the "Program Agreement") that governs the terms of participation in the Program and includes information about the client's investment objectives, risk tolerance, and preferences by asset class (private equity, real estate and venture capital) and geography (developed and/or developing markets), as well as the client's targeted investment amount per Investment Deal. Each client will also enter into a deal-specific commitment letter for each Investment Deal the client invests in, and will become a party to the governing documents of the applicable Investing Entity. In certain instances, CSSU or an affiliate may provide bridge financing to the DEP Program or the Investing Entity with respect to an Investment Deal. In such cases, clients may participate in the Investment Deal by purchasing direct or indirect interests in the Investing Entity from CSSU or an affiliate. Clients participating in an Investment Deal following the date of the DEP Program's initial funding (whether or not CSSU or an affiliate has provided bridge financing) may be required to make an interest payment to CSSU from the date of such initial funding. Management fees will be payable by DEP Program participants to CSSU retroactive to the date the Investment Deal was originally acquired by CSSU or its affiliates. CSSU will obtain the prior written consent of each client participating in such a transaction.

## V. Fees and Compensation

### DEP Program

Clients that invest through the DEP Program are generally charged the following fees by CSSU in its capacity as the investment manager of the DEP Program:

- Management Fee: generally 1.00% per annum of invested capital.
- Carried Interest: generally 15.00% carried interest on each Investment Deal, subject to an 8% preferred return.
- Transaction Fees: A transaction fee generally equal to 1.00% of the capital invested by a client in an Investment Deal is payable by the client upon the closing of the Investment Deal.

A client's Relationship Manager may receive a portion of the management and transaction fees paid to CSSU in connection with the client's investment in the DEP Program.

Fees may change over time and different fee schedules may apply if CSSU accepts different types of clients into the DEP Program from its current client base. Fees for the DEP Program may be negotiable. Thus, some clients may pay more or less than other clients for the same or similar management services depending, for example, on the account inception date, the number (or value) of related accounts, and fee negotiation or fee waivers, if any.

In addition to the fees payable to CSSU described above, a client in the DEP Program will also pay its pro rata share of the expenses related to each Investment Deal in which the client invests. For example, clients in certain Investment Deals may be required to pay their pro rata share of management fees, carried interest, transaction fees and other compensation to the sponsor of the Investment Deal.

Investors will also bear expenses associated with their investment in an Investing Entity. Expenses that are typically borne by Investing Entities, and thus indirectly by investors in those Investing Entities, may include, without limitation: (i) expenses for administrators, valuation experts, accountants and other service providers; (ii) costs incurred in printing and distributing reports to investors; (iii) all out-of-pocket expenses incurred in structuring, acquiring, holding and disposing of investments; (iv) broken deal expenses; (v) prime brokerage fees, bank service fees and other expenses incurred in connection with investments; (vi) fees and expenses related to borrowings; (vii) costs of litigation, D&O liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Investing Entity; (viii) all out-of-pocket fees and expenses incurred in connection with compliance with U.S. federal, state, local, non-U.S. or other law or regulation; (ix) fees and expenses related to the organization, operation or maintenance of intermediate entities used to facilitate the Investing Entity's investment activities; (x) expenses of winding up or liquidating the Investing Entity; and (xi) any taxes, fees or other governmental charges, and expenses incurred in connection with any tax audit, investigation, settlement or review of the Investing Entity.

CSSU and its affiliates may have relationships (both involving and not involving the DEP Program), including without limitation placement, brokerage, advisory and board relationships, with distributors, consultants and others who recommend, or engage in transactions with or for the DEP Program. In addition, CSSU and its affiliates may recommend, or engage in transactions with or for the DEP Program. In particular, CSSU's Investment Banking division or other affiliates may be engaged by any prospective portfolio company or by the sponsor of an Investment Deal and may receive compensation from the relevant portfolio company or sponsor for placing the Investment Deal with the DEP Program or otherwise. Such compensation may be shared within CSSU, including with personnel responsible for managing the DEP Program or relationships with investors in the Program. As a result of these relationships and compensation arrangements, CSSU and its personnel may have conflicts that create incentives for them to promote certain investment opportunities over others to investors in the DEP Program. In addition to other policies and

procedures already in place, in order to mitigate potential conflicts, CSSU adheres to CS policies on the matter, which provides guidelines and principles for CS employees to refer deals to other CS businesses.

## **VI. Performance-Based Fees and Side-by-Side Management**

As discussed above, CSSU charges performance-based fees to investors in the DEP Program in the form of a carried interest. In addition, DEP Program investors may directly or indirectly pay performance-based fees to the sponsors of Investment Deals that are unaffiliated with CSSU. Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. CSSU charging performance fees to some accounts faces a variety of conflicts because CSSU can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts on which it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, CSSU may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. In addition, the existence of performance-based fees may incentivize CSSU to offer riskier or more speculative investment opportunities than it would otherwise have offered.

## **VII. Types of Clients**

Participants in the DEP Program are limited to high net worth and ultra-high net worth investors. DEP Program clients must qualify as both a “Qualified Purchaser” under the 1940 Act and an “Accredited Investor” under the 1933 Act. Other restrictions may apply to non-U.S. person investors.

## **VIII. Methods of Analysis, Investment Strategies and Material Risks**

### **Methods of Analysis**

As investment manager of the DEP Program, CSSU focuses on private equity, venture capital and real estate investment opportunities. CSSU sources these investment opportunities primarily through its access to a proprietary deal flow from various Credit Suisse sources. CSSU's experienced investment team compiles due diligence materials for investor review, vets lead sponsors, and negotiates and monitors Investment Deals on behalf of the DEP Program participants. The investment team may periodically seek the advice of economists and other internal and external investment professionals or consultants with respect to such matters as political conditions, proposed tax law changes, fiscal policy, general conditions of the economy, interest rates, actions of central banks and international affairs. The investment team may also use proprietary modeling techniques and quantitative and qualitative analysis. Each proposed Investment Deal is reviewed and either approved, rejected or approved with conditions by the DEP Program investment committee. CSSU and members of the investment team are expected to invest their own capital in each transaction. Participants in the DEP Program have the option of either choosing whether to invest on a deal-by-deal basis or giving CSSU investment discretion to make investments on the participant's behalf for renewable terms of one-year each.

### **Investment Strategies**

The DEP Program focuses primarily on investing in private equity, venture capital and real estate investment opportunities. The DEP Program offers participants access to Credit Suisse proprietary deal flow. In general, a separate Investing Entity is created for each Investment Deal, and the decision to participate in such Investment Deal is made on a case-by-case basis based solely on the merits of that particular investment opportunity. As a result, there is no single unifying investment strategy governing the Investment Deals that are approved for the DEP Program, and the investment thesis from one Investment Deal to another may vary significantly.

## Material Risks

■ **The DEP Program:** Participants in the DEP Program are subject to a number of other risks that are inherent in the structure and operation of the DEP Program. These include:

- The success of the DEP Program will largely depend upon CSSU's ability to identify suitable Investment Deals and negotiate advantageous terms on behalf of the Program's participants, which will be subject to a number of conditions and factors that are outside of CSSU's control. There can be no assurance that CSSU will be successful in this regard. Moreover, CSSU is under no obligation to refer investment opportunities to the DEP Program. Participants should be aware that the opportunities offered to the DEP Program may have been considered and declined by one or more other funds or accounts advised by CSSU or its affiliates, including accounts in which CSSU or its personnel invest ("Other CS Accounts"). Participants in the DEP Program have no control over the number or type of, or amount available for investment in, any investment opportunities presented to DEP Program participants.
- Certain investment opportunities that become known to CSSU and its affiliates may be appropriate for both the DEP Program and for one or more Other CS Accounts, and CSSU may face conflicts of interest in the allocation of such opportunities. In particular, CSSU may have an incentive to allocate more attractive investment opportunities to Other CS Accounts that are subject to higher management fees and carried interest than the DEP Program, or to Other CS Accounts in which CSSU or its affiliates have invested. CSSU will generally allocate such investment opportunities among the Program and such Other CS Accounts in a fair and reasonable manner in accordance with its allocation policy. Under such allocation policy, however, CSSU is not required to allocate any particular portion of an investment to any particular DEP Program participant, even if the participant has made a definitive commitment to participate in the investment.
- The DEP Program may or may not receive, and in any event will have no guaranteed rights with respect to, opportunities sourced by affiliates of CSSU, including in particular the investment banking operations of Credit Suisse Group AG. Such opportunities or any portion thereof may be offered to Other CS Accounts, all or certain of the DEP Program participants, or such other persons or entities as determined by CSSU in its sole discretion. The DEP Program participants will have no guaranteed rights and will not receive any compensation related to such opportunities. As a result, the DEP Program or a participant may not be allocated all of its desired investment level in any investment opportunity, or may be unable to participate in certain investments.
- Many of the investment opportunities presented to the participants in the DEP Program will involve co-investing alongside private equity, venture capital or real estate firms that are the lead investors in the Investment Deals. The success of the Program will depend significantly on the ability of these firms to identify and execute on attractive investment opportunities and, in turn, their willingness to share high quality deal flow with CSSU. There can be no assurance that these firms will be able to identify investment opportunities meeting the investment objectives of the DEP Program participants, that the investment opportunities will be shared with CSSU, or that the DEP Program participants will be able to invest in any particular Investment Deal at their desired level.
- The activity of identifying, completing and realizing attractive alternative investments is highly competitive and involves a high degree of uncertainty. The DEP Program will be competing with other private equity, venture capital and real estate funds, direct investment firms, individual and institutional investors and merchant banks. This competition may have an adverse impact on the DEP Program participants' ability to invest their desired amounts of capital, the terms of co-investment opportunities offered to the DEP Program and the ultimate return on investments made through the Program.
- Co-investments will typically expose participants in the DEP Program to risks associated with the sponsor of the Investment Deal or other control groups with whom the DEP Program is co-investing, which may have a negative impact on the value of such investments. For example, it is possible that the lead investor may have economic or business interests or goals (including financial constraints) which are inconsistent with or in conflict with those of the DEP Program participants. In addition, the lead investors may be in a position to take or block an action in a manner adverse to the DEP Program's participants' interests or investment objectives. In pursuing any co-investment strategy, CSSU will generally have little opportunity to negotiate the terms of an investment or direct

the affairs of a portfolio company. In particular, CSSU will generally not have the right to determine the timing or terms of the disposition of portfolio companies, but rather will be required to rely on the lead investor to make such determinations, which may or may not be in the best interest of the Program Participants.

- In general, the participants in the DEP Program will have the responsibility of making their own determinations with regard to whether or not to participate in any investment opportunity presented. Limited information will be available in connection with each Investment Deal. Moreover, it is not expected that DEP Program participants will have direct access to sponsor of any Investment Deal. Accordingly, participants will likely be required to make investment decisions on the basis of limited information.
- Valuations of Investment Deals, which will affect the amount of the management fee, performance fee and/or transaction fees payable to CSSU and its affiliates are expected to involve uncertainties and discretionary determinations. Third party pricing information may not be generally available and there is no expectation that an independent third party will verify the valuation models.
- The DEP Program's investments will generally be highly illiquid. There are restrictions and limitations on the ability of a participant to sell, transfer, pledge or redeem their investment. Therefore, dispositions of the Program's investments may require a lengthy time period or may result in distributions in kind to the participants. Interests in the Investing Entities will not be registered under the 1933 Act or any other applicable securities law and will generally have limited regulatory oversight.
- The success of an Investment Deal depends in substantial part on the skill and expertise of the personnel of the investment team. There can be no assurance that such personnel will continue to be employed by CSSU or be associated with the DEP Program. The loss of key personnel could have a material adverse effect on the Investment Deals and/or the DEP Program.
- While it is CSSU's intent to invest in companies with proven operation management in place, there can be no assurance that such management will continue to operate successfully. Although CSSU will monitor the performance of each investment, an Investment Deal will rely heavily upon management to successfully operate the portfolio companies on a day-to-day basis.
- Because each Investing Entity may only make a limited number of investments, and because those investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the limited partners. The performance of portfolio investments of other investments or programs managed by CSSU or its affiliates is not necessarily indicative of the results that will be achieved by an Investing Entity in the DEP Program.
- An Investing Entity may have, or be deemed to have, a controlling interest in one or more portfolio companies. The exercise or imputation of control over a portfolio company may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, the Investing Entity might suffer a significant loss.
- An Investing Entity may be called upon to provide follow-up funding for its portfolio companies or have the opportunity to increase its investment in such portfolio companies. There can be no assurance that it will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by the Investing Entity not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish its ability to influence the portfolio company's future development.
- In connection with the disposition of an investment in a portfolio company, an Investing Entity may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. An Investing Entity may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be



incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the investors in the Investing Entity. Each limited partnership agreement and/or investment management agreement, as applicable, contains provisions to the effect that if there is any such claim in respect of a portfolio company, it will be funded by the investors to the extent that they have received distributions from the Investing Entity, subject to certain limitations.

- **Liquidity:** Investments in the DEP Program have limited or no liquidity.

## IX. Disciplinary Information

CSSU reached a settlement with the Securities and Exchange Commission ("SEC") related to the purchase or holding of Class A mutual fund shares (which incurred expenses for Rule 12b-1 fees) for advisory clients who were eligible to purchase or hold a less expensive share class of the same mutual fund. CSSU settled that matter by consenting — without admitting or denying the findings (except as to jurisdiction) — to the issuance of an SEC order, dated April 4, 2017, finding, among other things, that there were breaches of fiduciary duty, inadequate disclosures to clients and in SEC filings, and deficiencies in compliance policies and procedures by CSSU between January 1, 2009 and January 21, 2014. As part of the settlement, the SEC censured CSSU, directed CSSU to cease and desist from committing or causing any violations and any future violations of Sections 206(2), 206(4), and 207 of the Investment Advisers Act of 1940, and Rule 206(4)-7, and ordered CSSU to pay approximately \$2.1 million in disgorgement, \$380,000 in prejudgment interest, and a \$3.275 million civil penalty.

Without admitting or denying the findings, on December 5, 2016, CSSU consented to a censure and issuance of findings by the Financial Industry Regulatory Authority (FINRA) relating to allegations that CSSU (i) had significant deficiencies in its anti-money laundering program principally related to its ability to adequately surveil potentially suspicious trading and money movements; (ii) failed to establish, maintain and enforce a supervisory system reasonably designed to ensure compliance with Section 5 of the U.S. Securities Act of 1933 (as amended, the "Securities Act") and applicable rules and regulations and (iii) failed to conduct adequate due diligence on correspondent accounts of certain of its foreign affiliates as required under the U.S. Bank Secrecy Act and applicable rules and regulations. In connection with such censure, CSSU agreed to pay a monetary penalty of \$16,500,000.

On January 31, 2016, CSSU reached two settlements with the Securities and Exchange Commission ("SEC") relating to an allegation by the SEC that CSSU violated federal securities laws while operating alternative trading systems known as dark pools and CSSU's Light Pool. Without admitting or denying the findings, CSSU agreed to pay disgorgement of approximately \$20,680,000, prejudgment interest of approximately \$3,640,000 and a civil money penalty of \$30,000,000.

Prior to and through in or about 2009, Credit Suisse AG ("CSAG"), including through its subsidiary Clariden Leu, operated a cross-border banking business that aided U.S. clients in opening and maintaining undeclared accounts and concealing foreign assets and income from the U.S. Internal Revenue Service. On May 19, 2014, the U.S. Department of Justice (the "Department of Justice") filed a one-count criminal information (the "Information") in the District Court for the Eastern District of Virginia charging CSAG, the parent company of CSSU, with conspiracy to commit tax fraud related to accounts CSAG established for cross-border clients from 2002 to 2008. The Department of Justice and CSAG entered into a plea agreement (the "Plea Agreement") settling the action pursuant to which CSAG pleaded guilty to the charge set out in the Information. The Plea Agreement required CSAG to pay over \$1.8 billion to the U.S. government, including the U.S. Internal Revenue Service. The Plea Agreement also required CSAG to lawfully undertake certain remedial actions to address the conduct described in the Plea Agreement and attachments to the Plea Agreement (the "Conduct"). CSAG entered into other settlements relating to the Conduct. CSAG and the Board of

Governors of the Federal Reserve System (the "Federal Reserve Board") agreed to the issuance of a consent Cease and Desist Order and Civil Money Penalty Assessment against CSAG to resolve certain findings by the Federal Reserve Board relating to the Conduct. In addition, CSAG and the New York State Department of Financial Services (the "DFS") entered into a Consent Order to resolve certain findings by the DFS relating to the Conduct. The settlement with the Federal Reserve Board required CSAG to pay \$100 million to the Federal Reserve, and the settlement with the DFS required CSAG to pay \$715 million to the DFS. These settlements followed a settlement by Credit Suisse Group AG ("CS Group"), the parent company of CSAG, with the Commission on February 21, 2014 to resolve an investigation by the Commission into solicitation and provision of broker-dealer and investment advisory services to certain U.S. cross-border clients by CS Group while not registered with the Commission as a broker-dealer or investment adviser. As part of the settlement, CS Group paid \$196,511,014, which included \$82,170,990 in disgorgement, \$64,340,024 in interest and a \$50,000,000 penalty. Neither CSSU nor any other affiliate of CSAG registered with the Commission as an investment adviser under the Investment Advisers Act of 1940 or broker-dealer under the Securities Exchange Act of 1934 was named in any of these settlements or involved in the conduct underlying these settlements.

On November 16, 2012, CSSU and certain affiliates (collectively, "Credit Suisse") reached a settlement with the U.S. Securities and Exchange Commission ("SEC") that resolves two investigations relating to residential mortgage-backed securities transactions. More specifically, one investigation concerned Credit Suisse's settlement of claims against mortgage originators involving loans that had been included in a number of Credit Suisse securitizations and its alleged failure to disclose this practice to investors. The second investigation concerned Credit Suisse's obligations to demand repurchase by mortgage originators with respect to certain delinquent loans in two 2006 securitizations. CSSU's investment advisory business was not the subject of either investigation. In a settled administrative proceeding, the SEC charged Credit Suisse with engaging in negligent conduct under Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 and charged one CSSU affiliate with violations of Section 15(d) of the Securities Exchange Act of 1934 and Rules 12b-20, 15d-1, and 15d-14(d) thereunder. Credit Suisse neither admitted nor denied the SEC's allegations. As part of the settlement of both investigations, Credit Suisse agreed to pay approximately \$120 million, inclusive of \$65,804,330 in disgorgement, \$39,000,000 in civil monetary penalties, and \$15,200,000 in prejudgment interest.

In 2008, CSSU was part of a global settlement reached with a multistate task force composed of members of the North American Securities Administrators Association Inc. ("NASAA") and the New York Attorney General ("NYAG") regarding the marketing and sale of Auction Rate Securities. As part of the global settlement, CSSU agreed to pay a \$15,000,000 fine to be allocated among the NASAA and NYAG members. Payments have been made as each state or jurisdiction entered a formal settlement with CSSU. For more detailed information on the individual state settlements, please refer to CSSU's Form ADV Part 1.

On August 26, 2008, CSSU was censured by the Securities and Exchange Commission ("SEC") and ordered to pay a fine of \$1,000,000. The order stated that Donaldson, Lufkin & Jenrette Securities Corp., predecessor in interest to CSSU, failed reasonably to supervise one of its former registered representatives, R. Christopher Hanna, with a view to preventing and detecting his violations of the Federal Securities laws during a portion of the twelve-year period that it employed him from November 1989 to May 2001.

Additionally, the Registrant has made available other disciplinary items in Part I, Item 11 of the ADV which can be found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **X. Other Financial Industry Activities and Affiliations**

CSSU is a registered broker-dealer. Each of our management persons is a registered representative of the firm. CSSU is also registered as a futures commission merchant.

## **Relationships with our Affiliates that are Significant to the DEP Program**

CSSU and its affiliates are part of a worldwide, full-service investment banking, broker-dealer, asset management and financial services organization that is a major participant in global financial markets (collectively, "Credit Suisse"). Credit Suisse advises clients in all types of markets and transactions, and sells, holds and recommends a broad array of investments for its own accounts and for Other CS Accounts. These other business activities may compete with the DEP Program for the time and attention of CSSU's investment professionals, and they may give rise to conflicts of interest in CSSU's activities and dealings on behalf of the DEP Program. Credit Suisse and the Other CS Accounts can be expected to have direct and indirect interests in the global fixed income, currency, commodity, equities, bank loan and other markets, including investment positions opposite to those of the DEP Program, any of which may negatively affect the DEP Program. There can be no assurance that such actual or potential conflicts of interest will be resolved in favor of the DEP Program or any of its participants.

To the extent permitted by applicable law and the terms of the Program Agreement and other governing documents, CSSU and its affiliates may act as broker, dealer, investment banker, agent, lender or advisor or in other commercial capacities for the DEP Program, one or more portfolio companies of the DEP Program or related sponsors. The entity performing such services may be entitled to compensation in connection with the provision of such services, and the DEP Program will not be entitled to any compensation or reduction of fees in respect of such services. CSSU and its affiliates will have an interest in obtaining fees and other compensation in connection with such services and may take commercial steps in their own interests in connection with such services that could negatively affect the DEP Program. For example, an affiliate of CSSU may require repayment of all or part of a loan at any time and from time to time or declare a default under an agreement with an Investor Entity or a portfolio company, and may liquidate related assets more rapidly (and at significantly lower prices) than might otherwise be desirable. In addition, as described above, CSSU's Investment Banking division or other affiliates may act as placement agent for a prospective portfolio company or for the sponsor of an Investment Deal and may receive compensation from the relevant portfolio company or sponsor for placing the Investment Deal with the DEP Program or otherwise. Such compensation may be shared within CSSU, including with personnel responsible for managing the DEP Program or relationships with investors in the Program. As a result of these relationships and compensation arrangements, CSSU and its personnel may have conflicts that create incentives for them to promote certain investment opportunities over others to investors in the DEP Program.

CSSU has established certain information barriers and other policies to address the sharing of information between different businesses of Credit Suisse. As a result of information barriers, CSSU will not generally have access, or will have limited access, to information and personnel of other entities affiliated with Credit Suisse, and will not generally be able to advise the DEP Program participants with the benefit of information held by such other businesses. Such other businesses will have broad access to detailed information that is not available to CSSU, including with regard to investment opportunities, which, if known to CSSU, might cause CSSU to present or refrain from presenting certain investment opportunities to the DEP Program. Affiliates of CSSU will be under no obligation or fiduciary or other duty to make any such information available to CSSU.

Different teams of investment professionals within CSSU or its affiliates may make decisions based on information or take (or refrain from taking) actions with respect to accounts they advise in a manner that may be adverse to the DEP Program. Such teams may not share information with the team responsible for the DEP Program, including as a result of certain information barriers and other policies, and will not have any obligation to do so.

The DEP Program may make investments in which one or more Other CS Accounts also invest, either directly or through a private equity fund. Any such investment may be made either prior to the investment by the DEP Program, concurrently as part of the same financing plan or subsequent to the investment by the DEP Program. Any such investment may consist of securities of a different class from those in which the DEP Program is invested and which may entitle the holder of such securities to greater control or to rights that otherwise differ from those to which the DEP Program is entitled. In connection with any such investments, the DEP Program, on the one hand, and CSSU and the Other CS Accounts, on the other hand, may have conflicting interests and investment objectives, and any difference in the terms of the securities held by such parties may raise additional conflicts of interest. In certain instances, the DEP

Program, CSSU and/or Other CS Accounts may invest as a minority investor as part of a larger investing group or syndicate. In such cases, the financial sponsor, and not CSSU, will be in the position to negotiate on behalf of the holders of other equity classes and mezzanine debt, and holders of senior debt, respectively.

If a portfolio company in which the DEP Program and one or more Other CS Accounts have invested becomes troubled, decisions relating to actions to be taken may raise conflicts of interest. For example, if such portfolio company goes into bankruptcy, becomes insolvent or is otherwise unable to meet its payment obligations or comply with its debt covenants, conflicts of interest could arise between holders of different types of securities as to what actions the portfolio company should take. CSSU will be authorized to resolve such conflicts on a case by case basis in its good faith discretion, taking into account the interests of the DEP Program and such Other CS Accounts. However, because the investments made by the DEP Program will be made on a co-investment basis, CSSU may not be in a position to take actions to resolve any such conflict. There can be no assurance that any such conflict will be resolved in favor of the DEP Program or any individual participant.

When permitted by applicable law, and the terms of the Program Agreement and any other governing documents, and the applicable policies of CSSU, CSSU may present to the DEP Program investment opportunities to invest in portfolio companies affiliated with CSSU or in which Credit Suisse or Other CS Accounts have an equity, debt or other interest, or to engage in investment transactions that may result in such investors being relieved of obligations or otherwise divesting of investments, in a manner which may benefit Credit Suisse or such Other CS Accounts. In addition, CSSU, acting on the DEP Program's behalf, may in certain circumstances otherwise cause certain DEP Program transactions to be engaged in with or through CSSU or its affiliates. When permitted by applicable law, the terms of the Program Agreement and other governing documents, and the applicable policies of CSSU, CSSU may cause the DEP Program to engage in transactions in which CSSU advises both sides of a transaction and acts as broker for, and receives a commission from, the DEP Program on one side of a transaction and a party on the other side of the transaction.

There may be potential conflicts of interest or regulatory restrictions relating to these transactions that could limit CSSU's ability to engage in these transactions on the DEP Program's behalf. CSSU may have a conflict of loyalties and responsibilities to the parties in such transactions and has developed policies and procedures in relation to such transactions and conflicts. Any such principal, cross or agency cross transactions will be effected in accordance with fiduciary requirements and applicable law (which may include disclosure and consent).

CSSU may refrain from presenting certain investment opportunities to the DEP Program in various circumstances, including in consideration of CSSU other activities (e.g., CSSU may refrain from presenting investment opportunities to the Program that would cause CSSU to exceed position limits or cause CSSU to have additional disclosure obligations). In addition, CSSU may limit the activities and transactions engaged in by the DEP Program, and may limit its exercise of rights on the DEP Program's behalf, for reputational or other reasons, including where CSSU is providing (or may provide) advice or services to an entity involved in such activity or transaction, where CSSU or an account is or may be engaged in the same or a related transaction to that considered for presentation to the DEP Program, where CSSU or an account has an interest in an entity involved in such activity or transaction, or where such activity or transaction or the exercise of such rights on the DEP Program's behalf could affect CSSU, Credit Suisse or their activities.

## **XI. Code of Ethics & Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

CSSU has implemented a Code of Ethics ("Code of Ethics"). The Code of Ethics sets forth the standards of ethical conduct to which CSSU and its Supervised Persons, as that term is defined in the Code of Ethics, must adhere. Access Persons, as defined by Rule 204A-1 of the Advisers Act, must adhere to certain holdings certification and employee personal trading policies. At the inception of their employment with CSSU, and annually thereafter, Access Persons must certify that they have accurately disclosed all of their personal trading accounts. CSSU must receive

duplicate copies of all trade confirmations and periodic statements of all transactions in such personal trading accounts. In order to prevent conflicts of interest as a result of securities transactions that an Access Person may place or recommend for your account, CSSU has implemented “black-out” periods for personal securities transactions. From one day prior through one day after the Access Person places a trade or recommends that a trade be placed in your account, the Access Person is generally prohibited from executing a trade in the same security in his or her personal trading account. Additionally, with certain limited exceptions, all Covered Persons must obtain pre-clearance before executing any personal securities transactions and are subject to minimum holding periods and a restricted securities list. A copy of the Code of Ethics is available upon request.

### **Participation or Interest in Client Transactions**

CSSU introduces certain suitable clients to private investment opportunities offered by our affiliates as well as unaffiliated entities. CSSU generally receives compensation from the private investment partnerships for the introduction. CSSU or our affiliates may act as general partner of private investment partnerships in which you invest. Generally, these private investment partnerships operate private pooled investment funds that invest in public and private investment vehicles that may include leveraged buyout funds, exchange funds, venture funds, debt funds, fund of funds, and real estate funds as well as portfolios of marketable securities.

CSSU is engaged in many securities-related activities. It is possible that we will recommend to you the purchase or sale of investment products in which we or an affiliate has a financial interest. This financial interest may create an incentive for CSSU to recommend these products to you. CSSU receives underwriting commissions or discounts, retirement account and other account servicing fees and fees paid by investment companies, mutual funds, hedge funds, exchange traded funds, or other investment vehicles. Additionally, our employees may have long or short positions in investment products we recommend to you. Employees who refer clients or investment opportunities to other divisions of Credit Suisse for products or services generally are eligible to receive incentive compensation for the referral, which does not increase the fees or expenses that the investor pays for the product or service.

CSSU maintains a Restricted List to monitor and restrict sales, trading and research activity with respect to the equity securities of any company placed on the list. The Restricted List is used when CSSU may have, or appear to have, inside information about the status of publicly announced but uncompleted transactions or to comply with SEC rules that limit the type of sales, trading and research activity that CSSU may conduct during the preparation for, and execution of, public offerings. When a company’s securities are on the Restricted List, CSSU is generally prohibited from soliciting customer orders or effecting transactions for discretionary customer accounts.

CSSU renders investment management and broker-dealer services to many types of clients with respect to, and it may for its own account hold, purchase, sell or otherwise trade in and deal with, securities which are the same as or similar to those recommended to you. Therefore, CSSU may have potentially conflicting loyalties and responsibilities with regard to its various clients. CSSU maintains procedures that are designed not to disfavor any client account over other accounts in the execution and allocation of transactions. CSSU monitors the personal trading activity of its employees. Our Employee Trading Policy is designed to detect and prevent conflicts and violations arising in this area.

CSSU effects transactions as broker or agent for clients and may also act as principal in transactions with advisory clients, including DEP Program participants, but only where CSSU has obtained the advisory client’s prior written consent to each such principal transaction.

## **XII. Brokerage Practices**

### **Research and Other Soft Dollar Benefits**

CSSU does not have soft dollar arrangements and does not receive research or other products or services from other broker-dealers or third parties in connection with client securities transactions.

### **XIII. Review of Accounts**

The Registrant has policies in place for reviewing portfolios for consistency with investment objectives, suitability, and that over time investment opportunities are fairly allocated among eligible accounts. The Registrant's investment professionals review the relevant portfolios periodically and on an on-going basis and provide reports in a manner, and at a frequency, as may have been negotiated with the client(s) or as set forth in the Investing Entities' documentation. In addition, clients generally are provided with periodic reports and relevant tax reporting information. Special reports may be developed to meet specific client requirements or respond to client inquiries.

### **XIV. Client Referrals and Other Compensation**

CSSU does not engage third party solicitors.

Employees of the Registrant or any of its affiliates may introduce prospective advisory clients and potential Investment Deals to the Registrant. Employees of the Registrant or of any of its affiliates who refer clients or deals to other divisions of Credit Suisse for products or services may be entitled to receive incentive compensation for the referral which does not increase the fees or expenses paid by the client for the product or service. The relationship between the solicitor-employee and the Registrant is disclosed to the prospective advisory client at the time of the solicitation, as applicable. Under the Credit Suisse Single Global Currency ("**SGC**") program, employees are encouraged to make cross-divisional referrals of clients and prospective clients which may include referrals to the Registrant. Policies are in place to address the principles that must be adhered to when making cross-divisional client and prospective client referrals and will determine eligibility for SGC. The use of referral and solicitation arrangements, including SGC, may create a potential conflict of interest. The Registrant has policies and procedures in place to address and mitigate the potential conflicts.

### **XV. Custody**

The Registrant generally does not maintain direct custody of client assets. However, under Rule 206(4)-2 under the Advisers Act, "custody" is broadly defined to also include holding indirectly client funds or securities, or having any authority to obtain possession of them. In particular, the Registrant is considered to have custody of its clients' assets in the scenario described below:

- With respect to the Investing Entities advised by the Registrant, the Registrant or an affiliate of the Registrant serves in a capacity (such as general partner of a limited partnership, managing member of a limited liability company or a comparable position for another type of pooled investment vehicle, or trustee of a trust) that gives it legal ownership of or access to the Investing Entities' funds or securities.

In order to avoid any potential conflict of interest that indirect custody of client assets may cause, the Registrant takes the following actions required or permitted by Rule 206(4)-2:

- With respect to Investing Entities, the organization documents of such vehicles provide for the annual audit of the vehicles' financial statements and the delivery of such audited financial statements to investors as required by the Rule. Additionally, Investing Entities' assets are held with third party qualified custodians.

## **XVI. Investment Discretion**

Generally, CSSU has discretion to make investments on a client's behalf as described in Section I.

## **XVII. Voting Client Securities**

In relation to certain investments held by the Investing Entity, the Registrant will have the authority to vote proxies. To that extent, the Registrant has adopted policies and procedures reasonably designed to ensure that it votes proxies in the best interest of its clients and investors.

Upon the request of any client or investor, the Registrant will provide such person with (i) the actual policies and procedures and (ii) information about votes cast on behalf of any fund managed by the Registrant in which such person has made an investment. As stated above, these policies and procedures: (i) address the Registrant's overall policy to vote client proxies in the best interest of the investors in the Investing Entity managed by the Registrant and in a manner that maximizes the value of investments made by an Investing Entity; (ii) identify the persons responsible for monitoring corporate actions, determining whether and how to vote proxies and submitting proxies and (iii) describe the Registrant's approach to addressing material conflicts of interest that may arise in connection with the consideration of a proxy. In general, proxies will be voted in consultation with the relevant investment professional that is responsible for the relevant portfolio investment. The investment professionals will vote proxies in a manner they believe to be consistent with the best interest of the respective Investing Entities and their investors. The investment professionals monitor potential conflicts by consulting with counsel and taking appropriate measures to mitigate any such conflicts. Records of proxy materials and votes are maintained in the Registrant's offices. Investors in the Investing Entities managed by the Registrant can obtain a copy of the proxy voting policies and procedures or information on how the Registrant voted proxies for any fund in which an investor has an investment by contacting the Registrant c/o Credit Suisse, Investor Relations, One Madison Avenue, 10th Floor, New York, New York 10010, 877-435-5264.

## **XVIII. Financial Information**

CSSU has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.