

## Form ADV Part 2A – Disclosure Brochure

March 31, 2015

### Table of Contents

I. Advisory Business	1
II. Fees and Compensation	4
III. Performance-Based Fees and Side-by-Side Management	7
IV. Types of Clients	8
V. Methods of Analysis, Investment Strategies and Risk of Loss	8
VI. Disciplinary Information	15
VII. Other Financial Industry Activities and Affiliations	17
VIII. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading	17
IX. Brokerage Practices	19
X. Review of Accounts	20
XI. Client Referrals and Other Compensation	21
XII. Custody	21
XIII. Investment Discretion	21
XIV. Voting Client Securities	21
XV. Financial Information	21

This brochure provides information about the qualifications and business practices of Credit Suisse Securities (USA) LLC ("CSSU"). If you have any questions about the contents of this brochure, please contact your CSSU registered adviser representative ("Relationship Manager").

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.

This brochure contains information about CSSU and material changes since its adoption are described below.

#### Material Changes since the June 19, 2014 update:

1. The Sub-advisory Solutions Program was incorporated into the Preferred Advisors Program.
2. Disclosure in Section XII related to CSSU's custody of client assets was updated.
3. Disclosure in Section II related the fees CSSU may receive in connection with your investment in mutual funds, exchange traded products and offshore funds has been updated.

## I. Advisory Business

### CSSU's Advisory Business

Credit Suisse is a global financial services company providing its clients with investment banking, private banking, and asset management services. In its Investment Banking division, Credit Suisse offers financial products and advisory services, including debt and equity underwriting, sales and trading, mergers and acquisitions, investment research, correspondent and prime brokerage services to corporations, governments and institutional investors.

Its Private Banking & Wealth Management division is one of the world's leading integrated wealth management businesses and one of the first global investment banks that operates in alignment with the new regulatory reality. Credit Suisse provides comprehensive advice and a range of investment products and services tailored to the needs of the high-net-worth and ultra-high-net-worth individual client segment. As well, Credit Suisse manages portfolios, mutual funds, and alternative investment vehicles for governments, institutions, corporations and private individuals, focusing on liquid, scalable alternative investment products and multi-asset class solutions.

CSSU, through its Private Banking North America ("PB North America") business, offers products and services in its capacity as investment adviser, portfolio manager, or sponsor of wrap fee programs. As of December 31, 2014, CSSU managed \$21,582,033,059 of assets on a discretionary basis and \$7,563,095,393 of assets on a non-discretionary basis.

## Types of Advisory Services Offered by PB North America

### Investment Advisory Programs

PB North America offers clients a range of investment advisory programs. They differ based on:

- How much discretion clients wish to grant to Credit Suisse to manage their assets;
- Whether clients prefer to take advantage of Credit Suisse's in-house research and proprietary investment strategies to determine the allocation of securities in their portfolio(s) and have their assets managed by CSSU or, on the other hand, to select independently an unaffiliated portfolio manager to manage their investments; and
- Whether Credit Suisse, and/or the third-party portfolio manager if applicable, is compensated pursuant to a wrap fee or an unbundled fee arrangement.

The various programs are described below. In each program, clients receive individualized investment advisory services tailored to their particular investment objectives and risk tolerance. Clients may impose reasonable restrictions on permissible types of investments or specific securities.

CSSU has entered into an agreement with Pershing LLC ("Pershing"), a registered broker dealer, to provide execution, clearing, settlement and custody for all of its investment advisory programs. Pershing also provides account reporting services for certain investment advisory programs of PB North America. Pershing executes all purchase and sale orders directed to it by CSSU and also performs clearance and settlement services. CSSU may execute trades itself as a broker-dealer or direct trades to third-party broker dealers for execution. Unless you have selected a third-party custodian, Pershing maintains custody of your account assets, credits interest and dividends on account assets and principal on called or matured securities in the account, and provides such other custodial functions customarily performed with respect to securities brokerage accounts.

#### ■ **Wrap Fee Programs**

A "wrap fee" is an annual inclusive fee paid by the client to CSSU. It covers investment advice, execution, custody, administrative and account reporting services. CSSU pays third parties for their services in the programs and retains the balance of the wrap fee for its services.

CSSU sponsors the Preferred Advisors and Managed Portfolio Alternatives Programs whereby an unaffiliated investment adviser acts as your discretionary portfolio manager. CSSU also offers discretionary investment advisory services through the Discretionary Managed Portfolios, Credit Suisse Solutions and Discretionary Portfolio Solutions Programs. Under the Discretionary Portfolio Solutions Program, CSSU has authority to select third-party portfolio managers to act as sub-advisors who will manage your assets on a discretionary basis. CSSU also offers non-discretionary investment advisory services through the Advisory Solutions Program. Each of these wrap fee programs is further described in the CSSU Wrap Fee Brochure, which is available upon request.

#### ■ **Non-Wrap Fee Programs**

In PB North America's non-wrap fee programs, you pay CSSU a fee for the investment advisory services that it provides. In addition, depending on the nature of the program, you pay commissions or other execution fees for each transaction and custody fees.

**Family Wealth Management Services:** CSSU provides investment consulting and investment supervisory services to qualified family offices and ultra high net worth individuals, whereby it may recommend investments in affiliated or unaffiliated mutual funds, alternative investment products including, but not limited to, hedge funds, private equity funds and structured products ("Alternative Investment Products"), and/or with third-party discretionary portfolio managers in a separately managed account.

After the initial investment in mutual funds is made on a non-discretionary basis, you may authorize CSSU to vary the portion of your assets invested in mutual funds or terminate such investments on a discretionary or non-discretionary basis, as CSSU may elect. You must provide prior written consent for investments in affiliated or unaffiliated Alternative Investment Products and personally complete the subscription or other documentation required for such investments.

CSSU may also provide investment advice through ongoing consultations not involving investment supervisory services, such as asset allocation advice and monitoring the performance of unaffiliated investment managers. In addition, on more than an occasional

basis, CSSU may provide business consulting as well as advice on matters not involving securities, such as real estate investments, mortgage refinancing, or estate tax planning.

**Financial Planning Services:** Financial Planning Services are available to clients who seek a comprehensive, personalized written financial plan (the "Plan") that assesses your current and projected financial situation and investment goals and establishes an investment strategy that seeks to meet those goals within your stated risk tolerances.

You must enter into a Financial Planning Agreement with CSSU to receive these services. You may terminate the agreement at any time by written notice to CSSU.

You will be required to enter into a new Financial Planning Agreement and pay a separate, negotiated fee for any updates to the Plan.

The Plan may include an analysis of any of the following: investment planning, education planning, insurance planning, risk management, cashflow, disability planning, tax and estate planning, stock option strategies, asset allocation strategies, foundation/philanthropy planning, and net worth. The analysis depends upon your specific investment objectives, financial goals and needs, risk tolerance, age, current asset allocation, value of assets, and complexity of your current financial situation. PB North America will rely upon the information you provide to create the Plan and it is up to you to inform us if there is a change in your financial or personal circumstances that may affect the Plan.

The Plan does not analyze, recommend, or include on-going advice as to specific securities or investments but rather is intended to serve as a basis for further analysis and discussion between you and your financial, legal and tax advisers toward developing a suitable investment strategy for pursuing your financial goals.

CSSU provides analytical and advisory services only in creating the Plan. It does not provide legal, tax, accounting or other professional services.

You are not required to engage CSSU or its affiliates to implement the Plan. If you choose to engage CSSU to implement the Plan, a separate agreement and fee will apply depending upon the nature of the relationship and the type of services to be provided.

**Investment Consulting Solutions:** CSSU offers the *Investment Consulting Solutions* ("IC Solutions") program, whereby it recommends an asset allocation based upon your investment objectives and risk tolerance which may include investments in unaffiliated mutual funds, Alternative Investment Products, and/or with third-party discretionary portfolio managers in a separately managed account. You have the option of implementing the recommendations with CSSU or through third-party portfolio managers, broker dealers and custodians.

**Preferred Advisors:** CSSU provides discretionary investment advisory services based on the investment advice of certain affiliated and unaffiliated registered investment advisers retained by CSSU to serve as sub-advisers for your account. Each sub-adviser is responsible for managing your account on a discretionary basis and has the authority to take all actions CSSU could, subject to CSSU's supervision and direction. This program incorporated the former *Sub-advisory Solutions Program*. The *Preferred Advisors Program* is described in more detail in CSSU's Wrap Fee Brochure.

You must enter into a Client Service Agreement ("CSA") with CSSU in order to obtain the services referenced above. The CSA describes the roles and responsibilities of each party. You may terminate the CSA at any time upon written notice to CSSU.

## Hedge Fund Feeder Platform

CSSU serves as investment manager to the PB North America hedge fund feeder platform, Credit Suisse HedgeFocus (the "HedgeFocus Platform"), which offers PB North America clients access to a selection of single manager hedge funds ("Underlying Funds") through feeder funds ("HedgeFocus Funds") in which clients may invest. CSSU may select both affiliated and unaffiliated Underlying Funds for inclusion on the HedgeFocus Platform. CSSU will offer onshore HedgeFocus Funds for U.S. taxable clients as well as offshore HedgeFocus Funds for U.S. tax-exempt clients and non-U.S. clients who can invest pursuant to Regulation S of the Securities Act of 1933 ("1933 Act"). Investment thresholds in the HedgeFocus Funds are generally lower than the minimum investment thresholds in the Underlying Funds. Each HedgeFocus Fund operates pursuant to an exemption from registration as an investment company under Section 3(c)(7) of the Investment Company Act of 1940 ("1940 Act") and is offered to U.S. clients in private placements pursuant to Regulation D under the 1933 Act.

## Direct Equity Partners' Program

CSSU serves as investment manager to Direct Equity Partners, a co-investment program (the "DEP Program") which offers ultra high net worth clients, who meet certain eligibility requirements, an 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 your behalf on a discretionary basis for a period of one year. CSSU will create separate deal-specific structures for each investment opportunity (each an "Investing Entity") which will include an onshore offering for U.S. taxable clients in private placements pursuant to Section 4(2) of the 1933 Act as well as an offshore offering for non-U.S. clients who can invest pursuant to Regulation S. CSSU and its affiliates will generally commit up to 3% of the amounts to be invested through the DEP Program in each Investment Deal, and certain employees of CSSU and its affiliates are expected to collectively commit up to 5.5% of the amounts to be invested in each Investment Deal. In order to participate in the DEP Program, you will execute an agreement that governs the terms of participation in the program and includes information about your 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 targeted investment amount per Investment Deal. You will also enter into a separate limited partnership agreement or investment management agreement, as applicable, and deal-specific commitment letter for each Investment Deal you chose to invest in. In certain instances, CSSU or an affiliate may provide bridge financing to the DEP Program or the Investing Entity with respect to the 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 at a price equal to the cost to the seller. CSSU shall obtain the client's prior written consent of such a transaction.

## II. Fees and Compensation

Depending on the program that you select, you can pay either a wrap fee or unbundled fees.

### Investment Advisory Programs

#### Wrap Fee Programs

You will pay a wrap fee based upon the total assets you invest in a program. Further information about wrap fee programs is provided in CSSU's Wrap Fee Brochure, which is available upon request.

#### Non-Wrap Fee Programs

Depending on the program you select, you may pay an unbundled fee for investment advisory services, separate commissions or fees for execution and custody, a transaction-based fee, a fixed fee, or a flat fee for services to be provided. For further information about CSSU's brokerage practices, please refer to Section IX below.

- **Discretionary Portfolio Management and Advisory Solutions Programs:** If you choose to pay transaction-based compensation for these programs you will pay brokerage commissions at CSSU's standard rates unless otherwise agreed between us and you. Your Relationship Manager will receive a portion of the brokerage commissions charged for such transactions. Currently, small transactions with a principal value of less than \$2,000 will be charged a \$35 transaction charge. Small transactions with a principal value of \$2,000 may be charged up to \$100.
- **Family Wealth Management:** CSSU includes the assets invested in affiliated and unaffiliated mutual funds as well as the assets invested in affiliated and unaffiliated Alternative Investment Products in calculating the fee you will be charged for investment advisory services through Family Wealth Management Services. In addition, you will also separately pay the applicable fees, charges and expenses associated with investments in said mutual funds and Alternative Investment Products.  
  
Fees for consulting services provided by Family Wealth Management Services are negotiated on a case by case basis and charged separately from and in addition to the investment advisory fee. Fees for estate tax planning are also separate from and in addition to the investment advisory fee.
- **Financial Planning:** The fee for Financial Planning Services is negotiable depending on the number of Plans requested, the services provided, the complexity of your financial situation, and the amount and type of assets to be taken into consideration. Fifty percent of the fee is due and payable upon execution of the Financial Planning Agreement. The balance is due when we deliver the Plan to you. The fees payable under the Financial Planning Agreement cover only the preparation of the Plan, not the costs you may incur in implementing the Plan. Your Relationship Manager will receive a portion of the fee. CSSU employees or

affiliates may pay discounted fees for Financial Planning Services. You have the right to terminate the agreement without penalty within five (5) business days after its effective date, provided the Plan has not been delivered. If you terminate the agreement five (5) or more business days after its effective date, but before the Plan has been delivered, we reserve the right to charge, and you agree to pay, reasonable fees to cover CSSU's costs in preparing the Plan.

- **Investment Consulting Solutions Program:** You will pay a flat fee or an annual fee based upon the total value of the assets for which CSSU is providing investment consulting services.

You may implement CSSU's recommendations through it or through an unaffiliated portfolio manager. In either case, you will enter into a separate investment advisory agreement with CSSU or the unaffiliated portfolio manager, as applicable, and will pay a separate investment management fee, plus any other fees, directly to the applicable entity.

The fee is negotiable depending on such factors as the type and level of service provided, whether multiple accounts are involved (such as in a family relationship), the number of family members, the types of assets managed, and whether there is a large equity concentration in your portfolio (such as a core holding). Most client accounts are subject to a minimum annual fee. Some accounts are charged a flat, fixed fee and others have varying fees applicable to different asset classes or services provided. Generally, you will be sent a duplicate of the invoice at the time it is sent to your custodian for payment. The amount payable in respect of a given quarter will be an amount equal to the product of (i) the amount determined by applying the fee agreed to between you and us to the value of your account as of the last business day of such quarter, and (ii) a fraction, the numerator of which is three (or if less, the number of months in such quarter for which services were rendered, in the event the investment management or advisory agreement is entered into after the beginning and/or terminated prior to the end of a quarter) and the denominator of which is 12. Each quarterly invoice will contain a detailed description of how the fee was calculated. All custodian-related fees are paid directly by you and are in addition to any investment advisory fee described above.

For participating in the IC Solutions program, you will be assessed a fee quarterly, in advance, based upon the market value of assets under advisement as of the last business day of the preceding quarter. If your account is opened on a day other than the first business day of the quarter, the fee is charged at inception on a pro-rata basis that reflects the number of days remaining in the calendar quarter. Upon termination of the applicable IC Solutions Agreement, you will be entitled to a pro-rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter. Certain legacy clients shall be assessed a fee quarterly, generally in arrears, as of the last business day of that quarter. The fee is not adjusted for capital flows in the account.

- **Discretionary Portfolio Solutions Program:** You may choose to pay a wrap fee for your investments in this program where your account assets are custodied with Pershing. The wrap fee is described in more detail in CSSU's Wrap Fee Brochure. However, if your account is custodied with a third-party custodian, you will pay the following fees, commission and expenses separately: (a) an advisory fee to CSSU, for the investment advisory services it provides in constructing the portfolio and asset allocation and selecting third-party portfolio managers, (b) an advisory fee to each portfolio manager selected to manage your assets on a discretionary basis (each an "Advisory Fee"), (c) commissions for transactions effected by the portfolio manager through third-party broker dealers, and (d) fees for custodial services provided by a third-party custodian. The Advisory Fee is negotiable depending upon, among other things, the size and the types of assets to be managed. The Advisory Fee will generally be payable quarterly in advance based upon the market value of your account assets as of the close of business on the last business day of the preceding calendar quarter, as provided by your custodian and reflected on your quarterly account statement. Where such market values are not available from your custodian, the account assets' fair value is determined in good faith by CSSU. Commissions related to transactions executed by third-party managers will be incurred in the account at the time the transaction is executed. Fees for custody services, if applicable, shall be charged separately by the third-party custodian. If your account is opened on a day other than the first business day of the quarter, the fee is charged at inception on a pro rata basis that reflects the number of days remaining in the calendar quarter. Upon termination of the applicable CSA, you will be entitled to a pro-rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter.
- **Preferred Advisors Program:** You will pay an annual fee of up to a maximum of 1.5% per annum of the assets under management which covers advisory, custodial and administrative services but excludes brokerage commissions, mark-ups, mark-downs and spreads on transactions that are effected for your account. The excluded transaction charges are in addition to the annual fee you pay. Fees are generally charged quarterly in advance based on the value of the assets under management on the last day of the preceding quarter, are adjusted for capital flows in your account, and automatically deducted from your account. Fees are negotiable depending on such factors as nature and extent of the client relationship, amount of assets to be managed

and other factors. The initial fee is charged at the end of the first quarter of management of the account based on the assets under management on the last day of the quarter and will be assessed pro rata based on the number of days during the quarter the assets were held in the account. Thereafter, fees are charged in advance. At your request, transactions may be executed on margin and, in said instances, fees are based on the value of your account including the amount of your margin loan. Upon termination of the CSA, you will be entitled to a pro-rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter.

## HedgeFocus Platform

Clients that invest in a HedgeFocus Fund are charged a sponsor fee, which is paid to CSSU in its capacity as the investment manager of the HedgeFocus Funds (the "Sponsor Fee"). The Sponsor Fee schedule will vary depending upon the HedgeFocus Fund and Class in which you invest. The Sponsor Fee is calculated and payable monthly in arrears upon the value of your investment in a HedgeFocus Fund. The highest possible Sponsor Fee charged for a HedgeFocus Fund may be 1.00%. In addition, clients that invest in a HedgeFocus Fund will also be charged management and performance fees by the Underlying Fund. All such applicable fees are disclosed in the relevant HedgeFocus Fund's offering documentation.

## DEP Program

Clients that invest in the DEP Program are charged the following fees, which are paid to CSSU in its capacity as the investment manager of the DEP Program:

- Management Fee: 1.00% per annum of invested capital
- Carried Interest: 15.00% carried interest on each investment subject to an 8% preferred return.
- Transaction Fee: 1.00% one-time transaction fee upon the closing of each investment by the client.

Investors will also pay their pro rata share of investment-related expenses. Your Relationship Manager may receive a portion of the management and transaction fees paid to CSSU in connection with your investment in the DEP Program.

## Additional Compensation Received by CSSU or your Relationship Manager

CSSU may receive compensation from third-party broker-dealers for directing order flow to them in option securities. All such compensation will be retained by CSSU and may be shared with your Relationship Manager.

*HedgeFocus Platform:* CSSU, in its capacity as a broker dealer, has been retained by each HedgeFocus Fund to solicit prospective investors (in such capacity, the "Placement Agent"). In executing the subscription agreement for investment in the HedgeFocus Funds (a "Subscription Agreement"), you agree that the Placement Agent is entitled to receive a placement fee (the "Placement Fee") from you in the amount disclosed in such Subscription Agreement. The amount of the Placement Fee may vary among clients. Your Relationship Manager is entitled to receive a portion of the Placement Fee that you pay. In addition, CSSU, in its capacity as placement agent for an Underlying Fund, may receive a placement fee from an Underlying Fund or its investment manager (an "Underlying Manager"), in each case in connection with the investment made by the corresponding HedgeFocus Fund. The amount of such placement fee is generally based in part on the total amount of your assets that are invested in the Underlying Fund (both directly and via the corresponding HedgeFocus Fund). This fee will be retained by CSSU and will not be credited back to you or applied to reduce the amount of Sponsor Fees that you pay. Your Relationship Manager will receive a portion of this compensation.

*DEP Program:* For the DEP Program, CSSU and its affiliates, (i) may have relationships (both involving and not involving the Program, and 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, and (ii) may recommend, or engage in transactions with or for, the Program. In particular, affiliates of CSSU may be engaged by any prospective portfolio company or the sponsor of a transaction of the DEP Program and may receive compensation from the relevant portfolio company or sponsor, including for placing the investment with the Program, and such compensation may be shared within CSSU, including with personnel responsible for management of 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 an investment in the DEP Program.

### **Exchange Traded Products, Mutual Funds and Offshore Funds**

You may incur indirect fees and expenses for your investments in exchange traded products ("ETPs"), mutual funds, and offshore funds, including money market funds under the automatic cash sweep program described below (together, the "Funds"). These fees and expenses are initially paid by the Fund complex but are passed on to all Fund investors owning the same class of shares (e.g. management fees, portfolio transaction execution costs, custody, administrative services and transfer agency fees and other expenses, including distribution fees and shareholder servicing fees). Such fees and expenses will be included in the price of the Fund and are not separately disclosed.

Cash balances in your account awaiting investment or reinvestment may be invested, as and when they become available ("automatic cash sweep"), in the money market fund you select at the time you open an account. Money market funds managed by affiliates of CSSU or by unaffiliated portfolio managers are available for automatic cash sweep. You are prohibited from selecting a CSSU affiliated money market fund for automatic cash sweep if you are a plan as defined in Title I of the Employee Retirement Income Security Act of 1974, as amended, an individual retirement account, or another plan subject to the provisions of Section 4975 of the Internal Revenue Code of 1986, as amended ("ERISA").

#### **ETPs**

Except for ERISA accounts, CSSU may receive fees when it or one of its affiliates provides investment advisory, distribution, administration, shareholder servicing, or other services to an ETP. The fees it or an affiliate receives for those services are based on the total amount of clients' assets invested in the ETP. CSSU or an affiliate may also receive a management fee from the ETP based on the total amount of the clients' assets invested in the ETP. This management fee earned by CSSU is separate from and in addition to any investment advisory fee fee that you pay to CSSU.

#### **Mutual Funds**

With regards to mutual funds that CSSU purchases on a discretionary basis or recommends for purchase in your account, we will not receive any additional compensation.

- i) We do not receive any commissions, sales credits, loads, trailers or similar fees.
- ii) Neither CSSU nor your Relationship Manager receives a fee for the provision of services to such mutual funds. Furthermore, neither CSSU nor your Relationship Manager receives additional compensation for investments in mutual fund shares held in your account where an affiliate acts as an issuer or sponsor.
- iii) Pershing receives revenue sharing payments from money fund providers for making the provider's funds available to clients. CSSU does not share in these fees and neither do CSSU Relationship Managers.

For accounts where CSSU acts as your investment adviser and/or discretionary portfolio manager, advisory account assets invested in mutual funds shall be limited to non-fee paying share classes, such as institutional share classes, that do not pay any Rule 12b-1 or other fees to CSSU.

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

CSSU does not charge performance-based fees for its investment advisory services, but unaffiliated investment managers may do so. Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. An investment adviser charging performance fees to some accounts faces a variety of conflicts because the investment adviser 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, the investment adviser 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.

## IV. Types of Clients

CSSU provides investment advisory services to high net worth and ultra high net worth individuals, family offices, trusts, estates, pension and profit sharing plans, banks, investment companies, charitable organizations, municipalities, corporations, foundations, endowments, and other business entities.

You must maintain the following minimum account size for the life of the account in order to participate in the investment advisory programs CSSU offers. Specific minimums depend upon the investment strategy you select.

- Discretionary Managed Portfolios, Advisory Solutions and Credit Suisse Solutions Programs: Between \$250,000 and \$500,000
- Family Wealth Management Services: \$10 million
- Investment Consulting Solutions and Discretionary Portfolio Solutions: \$25 million
- Preferred Advisors Program: Between \$250,000 and \$5,000,000

In all of the above instances, the minimum investment amount may be waived at our discretion and is generally waived or reduced for our employees. If you withdraw assets from an account with the result that the value of the account is less than the required minimum, we may elect to terminate the account. We will not knowingly enter into an investment advisory relationship with a current or prospective client whose investment objectives we deem incompatible with those of our programs or those of the discretionary portfolio manager or whose investment guidelines we deem unduly restrictive. All new clients are required to enter into an investment advisory agreement prior to establishing an investment advisory relationship with CSSU.

The minimum investment for a HedgeFocus Fund is \$100,000. If you are a U.S. Person, you must qualify as both a "Qualified Purchaser" under the 1940 Act and "Accredited Investor" under the 1933 Act. In addition, you must have had a pre-existing relationship with CSSU for a minimum of six months. You will receive an offering memorandum which provides information about the HedgeFocus Platform and the selected HedgeFocus Fund, including the investment objectives of the Underlying Fund as well as the associated fees, allocations, risks and conflicts of interest. You must complete the relevant Subscription Agreement in order to invest in a HedgeFocus Fund.

Participants in the DEP Program are expected to have the capacity to invest \$2,000,000 per transaction. In order to qualify as a participant in the DEP Program, you must have at least \$50,000,000 in assets under management with Credit Suisse AG and its affiliates. If you are a U.S. Person, you must qualify as both a "Qualified Purchaser" under the 1940 Act and "Accredited Investor" under the 1933 Act. Other restrictions may apply to non-U.S. person investors.

All funds and investment strategies offered through the various programs described below are reviewed and approved by Credit Suisse's Managed Investment Products Committee.

## V. Methods of Analysis

- **Investment Consulting Solutions and Discretionary Portfolio Solutions Program:** The IC Solutions and Discretionary Portfolio Solutions Program due diligence process for selecting mutual funds, Alternative Investment Products, and third-party discretionary portfolio managers incorporates both quantitative and fundamental analysis. The team utilizes various analytical systems to analyze managers on a quantitative basis, taking into consideration such factors as attribution analysis, relative and absolute performance, risk-adjusted returns, peer comparisons, down market protection, tax-efficiency, manager tenure, portfolio turnover and fees. Both long-term and short-term performance histories will be evaluated. The fundamental analysis incorporates the information provided in a comprehensive written questionnaire as well as multiple interviews with potential IC Solutions and Discretionary Portfolio Solutions Program participants, and may also include on-site visits. CSSU performs on-going monitoring of all IC Solutions and Discretionary Portfolio Solutions Program participants by conducting quarterly quantitative performance analysis and qualitative reviews, which may consist of quarterly questionnaires, conference calls, on-site visits and discussions with industry contacts.
- **Financial Planning:** PB North America uses various non-proprietary financial planning tools to create each client's Plan. It may also rely upon proprietary asset allocation reports or models and proprietary research. In addition, PB North America obtains information about the economy, political and industry developments, market data, asset classes, specific securities and individual

companies as well as credit, performance and risk analyses from various sources, including financial publications, company press releases, rating or pricing services, regulatory and self-regulatory reports and filings, Internal Revenue Code, regulations, and official guidance, or other public sources.

- **DEP Program:** CSSU, as investment manager of the DEP Program, has access to proprietary deal flow from various Credit Suisse sources, with a focus on private equity, venture capital and real estate. The experienced investment team performs due diligence on deals, vets lead sponsors, and negotiates and monitors investments on behalf of the program participants. The investment team periodically may seek the advice of economists and other investment professionals and consultants, internal and external, 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. It may also use proprietary modeling techniques and quantitative and qualitative analysis. The DEP Program investment committee is convened in order to approve, reject, or approve with conditions each proposed Investment Deal. Credit Suisse and the investment team invest in each transaction. Participants have the opportunity to elect to invest on a deal by deal basis instead of into a blind-pool fund, and may also give CSSU discretion, for renewable one-year periods, to make investments on the participant's behalf.
- **HedgeFocus Platform:** There is a two-step process in selecting an Underlying Fund to be offered on the HedgeFocus Platform:

Identifying Potential Underlying Managers: CSSU, as investment manager of the HedgeFocus Funds, is responsible for the selection of Underlying Managers. CSSU generally attempts to identify Underlying Managers for inclusion in the HedgeFocus Platform that are representative of a particular investment strategy or strategies. An Underlying Fund or Underlying Manager may be identified by CSSU through, among other things, the experience of its personnel and their contacts with investment managers, their network, industry conferences, database research, or contacts obtained by CSSU or any member, partner, shareholder, manager, director, officer, employee, agent or affiliate of CSSU.

Conducting Due Diligence on Underlying Managers: Once a potential Underlying Manager has been identified, CSSU performs due diligence on such Underlying Manager. CSSU's due diligence covers investment and operational due diligence, and is generally supplemented by quantitative analysis and an evaluation of the Underlying Manager's risk management capabilities. Selection criteria is driven by sourcing Underlying Managers who have demonstrated a sustainable investment process and proven infrastructure, across market cycles, where applicable. CSSU conducts periodic investment and operational due diligence reviews of each Underlying Manager offered through the HedgeFocus Platform.

- Methods of analysis applied to your accounts in the *Discretionary Managed Portfolios* and *Advisory Solutions Programs* as well as the due diligence conducted on third-party portfolio managers in the *Preferred Advisors* and *Discretionary Portfolio Solutions Programs* are described in CSSU's Wrap Fee Brochure, which is available upon request.

## Investment Strategies

- **HedgeFocus Funds** available on the HedgeFocus Platform will invest in Underlying Funds that generally pursue one or more of the following principal investment strategies and styles:
  - **Convertible Arbitrage.** The Convertible Arbitrage strategy generally involves taking long positions in convertible securities and hedging those positions by selling short the underlying common stock. Convertible securities and warrants are priced as a function of the underlying stock, expected future volatility of returns, risk-free interest rates, call provisions, supply and demand for specific issues, and, in the case of convertible bonds, the issue-specific corporate/Treasury yield spread. An Underlying Manager utilizing a Convertible Arbitrage strategy generally will purchase long positions in convertible securities and hedge a portion of the equity risk by selling short the underlying common stock in an effort to capitalize on pricing inefficiencies. Timing may be linked to a specific event relative to the underlying issuer or a belief that a relative mispricing exists between the corresponding long and short position.
  - **Distressed Securities.** Underlying Managers utilizing a Distressed Securities strategy invest in, and may sell short, the securities of companies where the security's price has been, or is expected to be, affected by a distressed situation. Underlying Managers utilizing a Distressed Securities strategy invest primarily in securities and other obligations of companies that are encountering significant financial or business difficulties, including companies which (i) may be engaged in debt restructuring or other capital transactions of a similar nature while outside the jurisdiction of Federal

bankruptcy law, (ii) are subject to the provisions of Federal bankruptcy law, or (iii) 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. These Underlying Managers will seek profit opportunities arising from inefficiencies in the market for such securities and other obligations.

Negative events, and the subsequent announcement of a proposed restructuring or reorganization to address the problem, 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 or other obligations of the troubled company. If an Underlying Manager believes that a market imbalance exists and the securities and other obligations of the troubled company may be purchased at prices below the value of such securities or other obligations under a reorganization or liquidation analysis, the Underlying Manager may purchase such securities or other obligations. Profits of Distressed Securities strategies generally result from the broader market's lack of understanding of the true value of the deeply discounted securities. Results are generally not dependent on the direction of the markets, and have a low to moderate expected volatility.

- Equity Hedge. This strategy, which is also known as long/short equity, combines core long holdings of equities with short sales of stock or stock index options. Equity Hedge Underlying Managers construct portfolios that may be net long or net short depending on market conditions. Equity Hedge Underlying Managers generally increase net long exposure in bull markets and decrease net long exposure or go net short in bear markets. Generally, the short exposure of an Underlying Fund is intended to generate an ongoing positive return in addition to acting as a hedge against a general stock market decline. Stock index put options are also often used as a hedge against market risk. Profits are made when long positions appreciate and stocks sold short depreciate. Conversely, losses are incurred when long positions depreciate and/or the value of stocks sold short appreciates. The source of return of Underlying Funds traded pursuant to Equity Hedge strategies is similar to that of traditional long-only money managers on the upside, but these Underlying Managers use short selling and hedging to attempt to outperform the market on the downside.
- Equity Market-Neutral. Underlying Managers utilizing Equity Market-Neutral strategies attempt to generate consistent returns in both up and down markets by selecting positions with a total net exposure near zero. These Underlying Managers will hold a large number of long equity positions and an equal, or close to equal, number of offsetting short positions for a total net exposure of close to zero. A zero (or close to zero) net exposure is referred to as "dollar neutrality" and is a common characteristic of Equity Market-Neutral Underlying Funds. By taking long and short positions in equal amounts, Equity Market-Neutral Underlying Managers seek to neutralize the effect that a systematic change will have on values of the stock market as a whole.

Some, but not all, Equity Market-Neutral Underlying Managers will extend the concept of neutrality to risk factors or portfolio characteristics such as beta, industry or sector concentration, investment style, and market capitalization. It is characteristic of Equity Market-Neutral portfolios that stocks expected to outperform the market are held long, and stocks expected to underperform the market are sold short. Returns are derived from the long/short spread, or the amount by which long positions outperform short positions.

- Equity Short-Selling. Underlying Managers who utilize an Equity Short-Selling strategy attempt to profit from anticipated price declines in securities. A short sale involves the sale of a security that an Underlying Fund does not own in the hope of purchasing the same security (or a security exchangeable therefor) at a later date for a lower price. To make delivery to the buyer, the Underlying Fund must borrow the security and is obligated to return the security to the lender, which is accomplished by a later purchase of the security. An Underlying Fund will realize a profit or loss as a result of a short sale if the price of the security decreases or increases, respectively, between the date of the short sale and the date on which the Underlying Fund covers its short position (*e.g.*, purchases the security to replace the borrowed security). A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss to the Underlying Fund. Equity Short-Selling strategies tend to perform poorly when equity markets are performing well, and therefore tend to be employed in conjunction with other, long-biased strategies.
- Event-Driven. Event-Driven (or "corporate life cycle investing") strategies involve investments in opportunities created by significant transactional events, such as spin-offs, mergers and acquisitions, industry consolidations, liquidations, reorganizations, bankruptcies, recapitalizations, share buybacks, and other extraordinary corporate transactions. Event-Driven strategies attempt 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 creates investment opportunities for Underlying Managers

who can correctly anticipate their outcomes. As such, Event-Driven strategies may involve merger arbitrage, distressed securities, value-with-a-catalyst, and special situations investing.

Some Event-Driven Underlying Managers may utilize a core strategy, while others will make investments opportunistically across the different types of events. Instruments include long and short common and preferred stocks, as well as debt securities, warrants, stubs, and options. Event-Driven Underlying Managers may also utilize derivatives such as index put options or put option spreads, to leverage returns and to hedge out interest rate and/or market risk. The success or failure of this type of strategy usually depends on whether the Underlying Manager accurately predicts the outcome and timing of the transactional event. Event-Driven Underlying Managers do not rely on market direction for results; however, major market declines, which could cause transactions to be repriced or terminated, may have a negative impact upon the Event-Driven strategy.

- Global Macro. Global Macro Underlying Managers attempt to identify extreme price valuations in stock markets, interest rates, foreign exchange rates, and physical commodities, and to make leveraged bets on the anticipated price movements in these markets. To identify extreme price valuations, Underlying Managers generally employ a top-down global approach that concentrates on forecasting how global macroeconomic and political events affect the valuations of financial instruments. These approaches may be systematic trend-following models or discretionary. Global Macro Underlying Managers have a broad investment mandate, with the ability to hold positions in practically any market with any instrument. Profits are made by correctly anticipating price movements in global markets and having the flexibility to use any suitable investment approach to take advantage of extreme price valuations. Underlying Managers utilizing a Global Macro strategy may use a focused approach or diversify across approaches. Often, they will pursue a number of base strategies to augment their selective large directional bets.
- Merger Arbitrage. Merger Arbitrage (also known as “risk arbitrage”) strategies involve investing in securities of companies that are the subject of some form of extraordinary corporate transaction, including acquisition or merger proposals, exchange offers, cash tender offers, and leveraged buy-outs. These transactions will generally involve the exchange of securities for cash, other securities, or a combination of cash and other securities. Typically, a Merger Arbitrage Underlying Manager purchases the stock of a company being acquired or merging with another company, and sells short the stock of the acquiring company. A Merger Arbitrage Underlying Manager engaged in merger arbitrage transactions will derive profit (or loss) by realizing the price differential between the price of the securities purchased and the value ultimately realized when the deal is consummated. The success of this strategy is usually dependent upon the proposed merger, tender offer, or exchange offer being consummated.

When a tender or exchange offer or proposal for a merger is publicly announced, the offer price or the value of the securities of the acquiring company to be received is typically greater than the current market price of the securities of the target company. Normally, the stock of an acquisition target appreciates while the acquiring company's stock decreases in value. If an Underlying Manager determines that it is probable that the transaction will be consummated, it may purchase the shares of the target company and, in most instances, sell short the stock of the acquiring company. Underlying Managers may employ the use of equity options as a low-risk alternative to the outright purchase or sale of common stock. Many Underlying Managers employing a Merger Arbitrage strategy will hedge against market risk by purchasing put options or put option spreads on the Standard & Poor's S&P500® index.

- Relative Value Arbitrage. Relative Value Arbitrage is a multiple investment strategy approach. The overall emphasis is on making “spread trades,” which derive returns from the relationship between two related instruments rather than from the direction of the market. Generally, Underlying Managers utilizing Relative Value Arbitrage strategies will take offsetting long and short positions in similar or related instruments when their values, which are mathematically or historically interrelated, are temporarily distorted. Profits are derived when the skewed relationship between the instruments returns to normal. In addition, Relative Value Arbitrage Underlying Managers will decide which strategies offer the best opportunities at any given time and will weight that strategy accordingly in their overall portfolio. Relative Value Arbitrage strategies may include forms of fixed-income arbitrage (including mortgage-backed arbitrage), merger arbitrage, convertible arbitrage, statistical arbitrage, pairs trading, options and warrants trading, capital structure arbitrage, index-rebalancing arbitrage, and structured discount convertible arbitrage.
- Managed Futures/Commodity Trading Advisors. Underlying Managers who utilize a Managed Futures/Commodity Trading Advisors strategy will engage in speculative trading in the futures markets, options on commodity futures contracts, forward

contracts, and spot markets for bonds and currencies. These Underlying Managers may trade diversified portfolios in U.S. and non-U.S. markets in an effort to capture passive risk premiums and actively profit from anticipated trends in market prices. Managed Futures/Commodity Trading Advisors Underlying Managers may rely on either technical or fundamental analysis or a combination thereof in making trading decisions and attempting to identify and exploit price trends. These Underlying Managers will attempt to structure a diversified portfolio of liquid futures contracts including, but not limited to, stock index, global currency, interest rate, metals, energy, and agricultural futures markets. Market selection may be based on liquidity considerations, legal constraints, market conditions, or data reliability of the market, depending on the Underlying Manager's internal policies. Underlying Managers trading Managed Futures/Commodity Trading Advisors strategies may trade either on the long or short side of the market, often on a 24-hour basis, and generally have more volatile performance than other traditional investments. However, Managed Futures/Commodity Trading Advisors strategies offer a unique return pattern when compared to traditional long-only or fixed-income investments.

- **Multi-Strategy.** Underlying Managers utilizing a Multi-Strategy approach generally engage in a broad range of strategies, including the strategies listed above. These Underlying Managers may also seek to take advantage of any number of event-driven opportunities. Investments may involve both U.S. and non-U.S. markets and may utilize significant amounts of leverage. Multi-Strategy Underlying Managers employ both long and short strategies, warrant and option arbitrage and hedging strategies, inter- and intra-market spread trading, futures, options, and currency trading.
- **Other Investment Strategies.** In addition, the Investment Manager may make available additional Funds, which may invest in Underlying Funds managed pursuant to new investment strategies not described herein, from time to time in its sole discretion.

Prospective investors must review the Underlying Fund offering documentation corresponding to a particular HedgeFocus Fund prior to investing in such HedgeFocus Fund as the aforementioned categories are only meant as a general guide to the investment strategies to be employed by the relevant Underlying Fund.

- For the **DEP Program**, each Investing Entity will general invest in long-term private equity investments, primarily through investing in portfolio companies, although the investment strategies may vary, sometimes significantly, from one Investment Deal to another.
- Under the **Preferred Advisors Program**, sub-advisers may customize a strategy to suit your needs, or you may select from the following investment strategies managed by sub-advisers:
  - Quality Municipal Bond Portfolio: The investment objective is capital preservation while also seeking to maximize tax-exempt income.
  - Quality Taxable Municipals Portfolio: The investment objective is capital preservation while also seeking to maximize income.
  - Tax-Advantaged Fixed Income Portfolio: The investment objective is capital preservation while also seeking to maximize tax-exempt income.
  - Municipal Quality Intermediate Portfolio: The investment objective is to provide capital preservation, high levels of tax-free income, and strong total return by investing in investment-grade municipal securities of short and intermediate-term maturity.
  - Corporate Bond Short-Term Portfolio: The investment objective is to provide capital preservation and high levels of income by investing in investment grade corporate bond securities with a maximum maturity of 7 years.
  - Convertibles Portfolio: The investment objective is primarily preservation of capital, and secondarily to generate income with some growth of capital.
- The investment strategies for the *Discretionary Portfolio Solutions*, *Discretionary Managed Portfolios*, *Advisory Solutions*, *Preferred Advisors* and *Credit Suisse Solutions Programs* are described in CSSU's Wrap Fee Brochure, which is available upon request.

## Material Risks

For the strategies listed above, equities, ETPs, options, and fixed income securities are the primary investments. Always read the prospectus or other offering documents for a full description of risks associated with the particular investment. Some of the material risks are as follows.

- **Equities:** The price may rise or fall, sometimes rapidly or unpredictably, because of changes in a company's financial condition. These price movements may result from economic changes or macro factors such as the economic performance of a particular country, interest rate movements, and international developments. Sector or industry developments as well as changes in government regulations may affect equity prices.
- **ETPs:** Depending upon which program and investment strategy you have selected, your account may be invested in different types of exchange traded products ("ETPs"), including exchange traded funds ("ETFs") and exchange traded notes ("ETNs"). Depending on the investment objective and investment strategy of a particular ETP: (i) the investment adviser may not achieve the ETP's investment objective or be able to cause the ETP's performance to match that of the ETP's underlying index or other benchmark on either a daily or aggregate basis; (ii) ETPs may be offered at a discount of the value of the underlying holdings; (iii) although an ETP's shares are listed on a national securities exchange, there can be no assurance that an active trading market for the ETP's shares will develop or be maintained; (iv) ETPs that are non-diversified may invest in the securities of a limited number of issuers or concentrated in a particular market, country, industry, sector or asset class and may be more susceptible to adverse economic, market, political or regulatory occurrences; and (v) the risk that changes in an issuer's management performance, financial condition and the supply and demand for the issuer's products or services may adversely affect the value of the securities held by an ETP.

In addition, the value of commodity-linked ETPs may be affected by changes in overall market movements, commodity index volatility as well as changes in interest rates or sectors affecting a particular industry or commodity, such as weather, embargoes, tariffs and international economic, political and regulatory developments. A commodity-linked ETP may compete with other financial investments, including traditional debt and equity securities issued by companies in the commodity's particular industry and other securities backed by or linked to the particular commodity, direct investments in the commodity and investment vehicles similar to an ETP. Market and financial conditions, and other conditions beyond the ETP portfolio manager's control may make it more attractive to invest in other financial vehicles or to invest in such commodity directly, which could limit the market for the ETP shares and reduce the liquidity of the ETP shares. If the commodity ETP is physically backed, such as with gold or silver, there is a risk that some or all of the ETF's supply of the stored commodity could be lost, damaged or stolen. Access to the stored commodity could also be restricted by natural events (such as an earthquake) or human actions (such as a terrorist attack). Any of these events may adversely affect the operations of the ETP and, consequently, an investment in its shares. The ETP may not have adequate sources of recovery if its physical commodity is lost, damaged, stolen or destroyed and recovery may be limited, even in the event of fraud, to the market value of the commodity at the time the fraud is discovered.

ETNs are senior, unsecured, unsubordinated debt securities issued by an underwriting bank. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. When an investor buys an ETN, the underwriting bank promises to pay the amount reflected in the index, minus fees upon maturity. Thus an ETN has an additional risk compared to an ETF: upon any reduction of credit ratings, or if the underwriting bank goes bankrupt, the value of the ETN is adversely eroded and an investor can lose all or most of its investment.

- **Options:** You can lose the entire principal you invested as well as the premium you paid. Options can expire out of the money and be worthless. You can be forced to deliver shares at expiration. Options leverage can work against you as much as it can work for you. Terms, conditions and policies of the specific option contract, options exchanges or options brokers can change at any time.
- **Fixed Income:** The issuer of the fixed income security may be, or become, unable to make coupon and/or principal payments. Fixed income investments typically decline as interest rates rise. Inflation erodes the real value of interest payments. Some fixed income investments are callable, forcing early redemption.
- **Hedge Funds:** Typically, single manager hedge funds are exempt from registration as investment companies with the SEC and do not offer the same investor protections as traditional investments. Single manager hedge funds often use speculative investment and trading strategies. Their structure may raise complex tax issues and they frequently place restrictions on an investor's ability to withdraw funds or resell their investment. Hedge fund investors typically incur higher fees and expenses than other types of investments.
- **Private Equity Funds and the DEP Program:** The success of the DEP Program will largely depend upon CSSU's ability to identify suitable investments and negotiate advantageous terms, which will be subject to conditions and factors outside of the

control of the DEP Program. Many of the investment opportunities presented to the participants in the DEP Program will involve co-investing through the Program alongside private equity firms that are lead investors in transactions. The success of the Program will depend significantly on the ability of these private equity firms to identify and execute on attractive investment opportunities and, in turn, to share high quality deal flow with CSSU. There can be no assurance that these private equity firms will be able to identify investments meeting the investment objectives of the participants, that the opportunities will be shared with CSSU, or that the participants will be able to invest the desired amount in any particular transaction. The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The Program will be competing with other private equity funds, direct investment firms, individual and institutional investors and merchant banks. Co-investments typically will expose the participants to risks associated with the sponsor of the investment or other control groups with whom the Program is co-investing, which could have a negative impact on the value of such investments. The participants 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. As a result, valuations of the Investment Deal, which will affect the amount of the management fee and/or performance fee, 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 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 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 operating 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 upon management to 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 controlling interests in some of its portfolio companies. The exercise 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:** Certain types of investment products held in your account may have restricted liquidity. For example, where a significant number of PB North America clients are invested in an ETF, a small cap stock, or in international or emerging market fixed income securities, the liquidity of that investment product may be impacted where a large number of clients seek to sell at

the same time. Additionally, an investment in a HedgeFocus Fund through the Hedge Fund Feeder Platform provides limited liquidity since there are substantial restrictions on the ability of an investor to withdraw capital or transfer its interest.

Investing in securities involves risk of loss that you should be prepared to bear. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

## VI. Disciplinary Information

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.

## VII. 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 our Investment Advisory Business:**

Our affiliate, Credit Suisse Asset Management, LLC, a registered investment adviser, acts as sub-adviser under the *Preferred Advisors Program* and manages client assets on a discretionary basis.

If suitable, we may purchase on a discretionary basis or recommend to a client, as applicable, mutual funds, ETPs, or alternative investments to a client where an affiliate acts as an issuer, investment adviser, sponsor, principal underwriter, distributor, administrator, transfer agent, general partner, managing member or provider of other services. Information about related conflicts is provided in Sections I and III above and, as applicable to your account in a non-wrap fee program, in CSSU's Disclosure Brochure, which is available upon request and also publicly available on the SEC's website at [www.sec.gov](http://www.sec.gov). Neither CSSU nor your Relationship Manager will receive any additional compensation in instances where we recommend or purchase for your account, as applicable, mutual funds or ETPs issued by one of our affiliates.

CSSU may refer suitable clients to New York Branch of Credit Suisse AG, a bank organized under the laws of Switzerland ("CS NYB") to apply for loans extended it. Loans are secured by assets in the client's account at CSSU ("Collateral"). Credit Suisse AG is an affiliate and indirect parent of CSSU. CSSU earns a fee for each client it refers to CS NYB to whom a loan is extended, and may receive other compensation for services provided in connection with the loans. These fees are in addition to any investment management fee which CSSU may earn for providing investment advisory and/or portfolio management services with respect to the Collateral.

## VIII. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

### **Code of Ethics**

CSSU has implemented the Private Banking North America Investment Adviser 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, quarterly, 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. 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. 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 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 you pay for the product or service.

In relation to the HedgeFocus Platform, CSSU and its principals and affiliates, as well as other Credit Suisse entities, may serve as general partners, managers and/or directors of other investment funds and accounts and may engage in other business activities, including management of proprietary portfolios of hedge funds. CSSU, in its capacity as a broker dealer, solicits prospective investors in the HedgeFocus Funds and will be paid an upfront Placement Fee and sales commissions to compensate it for its services as placement agent, in addition to the Sponsor Fee it receives as the investment manager of each HedgeFocus Fund. The Sponsor Fee and Placement Fee are based upon the aggregate net asset value of the HedgeFocus Fund, which creates an incentive for CSSU to recommend investors to the HedgeFocus Funds. This arrangement represents a conflict of interest that investors should consider carefully.

One or more affiliates of CSSU may own an interest in one or more Underlying Managers and may have certain other business relationships with one or more Underlying Managers, Underlying Funds or affiliates thereof. Specifically, through its applicable subsidiaries, Credit Suisse (i) acts as a non-exclusive distribution agent for one or more Underlying Funds and other investment vehicles (and may in the future act for additional and future investment vehicles) directly or indirectly managed by one or more Underlying Managers, (ii) has (or may have) controlled investments in certain investment funds managed by one or more Underlying Managers; and (iii) provides (or may provide) prime brokerage, equities trading, fixed-income, investment banking, private banking, research, underwriting, derivatives, lending and other services to one or more Underlying Managers, Underlying Funds or affiliates thereof. As a result, CSSU, as Placement Agent, has an incentive to recommend to its clients that they invest in a HedgeFocus Fund corresponding to such Underlying Funds. In addition, subject to applicable law, CSSU or one of more of its affiliates may purchase or sell the securities of, or otherwise invest in, finance, advise or otherwise provide services to, issuers in which the Underlying Funds may have an interest. No client will, by reason of its investment in any HedgeFocus Fund, have any right to participate in any manner in any profits or income earned or derived by or accruing to CSSU or any of its affiliates, any Underlying Manager or any Underlying Manager's affiliates or their respective partners, directors, members, officers, or employees from the conduct of any business other than the business of the HedgeFocus Funds and their Underlying Funds, as applicable, or from any transaction in securities effected by CSSU or any of its affiliates, the Underlying Managers or any Underlying Manager's affiliates or their respective partners, directors, members, officers, or employees for any account other than that of the HedgeFocus Funds or their Underlying Funds, as applicable.

In addition, the underlying single manager hedge funds may invest in portfolio funds from which CSSU or its affiliates may receive fees as general partner, investment manager, sponsor, placement agent or other role.

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 advice and other 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, but only where CSSU has obtained the advisory client's prior written consent to each such principal transaction.

We issue trade confirmations, as required under Rule 10b-10 of the Securities Exchange Act of 1934, that disclose compensation that we may receive in the form of underwriting fees, distribution fees, and mark-ups or mark-downs. Except as permitted by a class exemption or an exemptive order, we will not engage in principal transactions for clients subject to Employee Retirement Income Security Act of 1974, as amended ("ERISA").

## **IX. Brokerage Practices**

CSSU has entered into an exclusive agreement with Pershing to provide execution, custodial, administrative and account reporting services for your accounts. CSSU may effect transactions through Pershing or itself, consistent with our obligation to obtain best execution. CSSU, your portfolio manager, or a sub-advisory, may effect transactions through other brokers or dealers when it believes, in its sole discretion, that such brokers or dealers may provide better execution than would be the case if Pershing executed the transaction. In such case, you may pay brokerage commissions in addition to the wrap fee for any transactions not effected through Pershing or CSSU.

CSSU may receive compensation from certain third-party broker-dealers or market centers for directing order flow in option and NMS securities. For securities, payment is on a per share basis; for options, payment is on a per contract basis. The market centers that pay for order flow are selected based upon the opportunity they provide for execution of orders at prices better than the National Best Bid or National Best Offer. Absent specific order routing instructions from customers and regardless of whether payment for order flow is received, CSSU transmits customer orders for execution to various exchanges and other market centers based on a number of factors, including: the ability of a market center to execute the orders at or superior to the National Best Bid and National Best Offer, the ability of a market center to provide price improvement opportunities, the speed of execution, the availability of efficient, automated transaction processing, liquidity enhancement opportunities, the speed of displaying better-priced limit orders, trading characteristics of the particular securities and the extent to which different markets may be more suitable for different types of orders or different securities. All such compensation will be retained by CSSU and is not shared with you or your Relationship Manager.

The assets in your account may not be fully invested upon account opening. Rather, assets may be invested over time in accordance with the investment strategy you have selected.

In general, CSSU's policies do not permit the allocation of shares of initial public offerings ("IPOs") to clients in accounts for which CSSU provides investment advisory services.

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

CSSU does not have soft dollar arrangements.

### **Brokerage for Client Referrals**

In selecting or recommending broker-dealers CSSU does not consider whether it or any of its affiliates receives client referrals from such broker-dealer or third-party.

### **Directed Brokerage**

You may direct us to utilize brokers and dealers other than those we select to effect transactions for or with your account. In said instances, you will be solely responsible for negotiating the terms and arrangements on which you engage those brokers and dealers and CSSU shall have no responsibility for reviewing those terms and arrangements. CSSU will not seek better execution services or prices from these other brokers and dealers in connection with transactions for your account. CSSU will not be able to "batch" or "aggregate" transactions for your account with transactions for our other clients. CSSU will not monitor the performance of or the services provided by those brokers and dealers you designate. Directing brokerage likely will cost you more money. For example, in a directed brokerage account, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case because we may not be able to aggregate orders to reduce transaction costs.

## **Trade Aggregation**

If CSSU is purchasing or selling the same securities for several clients at approximately the same time, we may, to the extent permitted by law, combine or 'batch' such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients' differences in prices and commissions or other transaction costs that might have pertained had such orders been placed independently. In these circumstances, the price and associated costs of such transactions will be averaged and allocated among our clients (which may include persons associated with CSSU or clients in which persons associated with CSSU have invested) in proportion to the purchase and sale of orders placed for each client account on any given day. Said aggregation of orders may, on average, slightly reduce the overall costs of the transaction for you.

## **X. Review of Accounts**

Before an investment advisory account is opened with PB North America, a qualified Regional Office Manager, or his or her designee ("ROM"), reviews your investment objectives, financial circumstances and risk tolerance to determine if the account appears to be suitable for you. The ROM conducts monthly reviews of performance for select accounts (including investment advisory accounts). PB North America Compliance periodically conducts tactical reviews to assess risks in certain areas of the business which may include managed accounts.

Under the Family Wealth Management Services program, your account is reviewed on an annual basis to confirm that it is being managed in accordance with your investment guidelines. In addition, FWM reviews your account's individual portfolio holdings, current weightings, and ratings as well as its estate planning strategies, the current income tax status, and any material changes which may have taken place with respect to the individual clients over the last year (e.g. change in employment, major life events).

Under the Preferred Advisors Program, CSSU monitors the performance of the sub-advisers on a quarterly and as-needed basis.

The reviews conducted of accounts in the Discretionary Managed Portfolios, Advisory Solutions, Credit Suisse Solutions and Managed Portfolio Alternatives Programs is described in CSSU's Wrap Fee Brochure, which is available upon request.

### **Client Reports:**

Pershing provides you with a trade confirmation for each transaction effected for your account(s), as well as monthly statements reflecting positions and trading activity for each month in which such activity occurs in your account(s). For the Preferred Advisors and Managed Portfolio Alternatives Programs, Pershing forwards confirmations to your selected portfolio manager(s) for each transaction effected in your account(s).

You receive quarterly and annual performance reports reflecting realized gains and losses, dividends, and interest in an account as well as a comparison of such information against an appropriate index. Your Relationship Manager periodically reviews account performance with you to determine whether such performance is in line with your goals, investment objectives, and risk tolerance.

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

Solicitors introduce potential investment advisory clients to us in exchange for a fee. We enter into written agreements with these solicitors and, as required by Rule 206(4)-3 of the Advisers Act, they must provide to clients, at the time of solicitation: (i) a copy of CSSU's Part 2A Disclosure Brochure as well as the Wrap Fee Brochure, as applicable; and (ii) a written disclosure statement on the solicitor's letterhead which shall: (a) advise the client of the nature of the relationship between us and the solicitor, (b) include a statement that we will compensate the solicitor for its solicitation services, (c) indicate the terms of such compensation arrangement, and (d) indicate whether client will be charged amounts in addition to the investment advisory fee in connection with the solicitation agreement between us and the solicitor.

## **XII. Custody**

CSSU generally does not maintain physical custody of client assets. Typically, client assets are held by Pershing pursuant to the agreement referenced in Section I above, or another qualified custodian (a "Qualified Custodian") pursuant to a separate custody

agreement executed by the Qualified Custodian and the client. Under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, which apply to our business, however, we may be deemed to have custody of client assets in certain circumstances.

The determination of whether the custody rules apply to specific circumstances are complex, but generally CSSU is deemed to have custody of your account assets in the following scenarios, as applicable:

- CSSU obtains direct possession of your funds or securities in certain situations where CSSU, without a separate authentication of the instructions and approval from Pershing, (i) upon your specific instructions, withdraws and transfers funds or securities from your account; or (ii) receives from you funds to be deposited in your account;
- When CSSU deducts advisory fees directly from your account; or
- When your assets are custodied with CSSU's affiliate, Credit Suisse AG.

Your Qualified Custodian provides you with monthly statements reflecting positions and trading activity for each month in which such activity occurs in your account. For accounts for which Pershing acts as Qualified Custodian, you may also receive certain customized account statements or performance reports from CSSU relating to your account. CSSU urges you to review your monthly statements from your custodian carefully and compare them to any statements or reports you may receive from us. If there are any discrepancies, your monthly statements from your Qualified Custodian are determinative.

### **XIII. Investment Discretion**

When you grant CSSU, your Relationship Manager as agent for CSSU, or a portfolio manager discretionary trading authorization over your account, such authorization will be subject to any special instructions or restrictions you may reasonably impose and will take into account your investment objectives and risk tolerance. Generally, you grant such discretionary trading authorization pursuant to the applicable Client Services Agreement.

### **XIV. Voting Client Securities**

CSSU will not take any action or render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which your account assets may be invested.

Information about the voting of client securities for accounts in the Preferred Advisors Managed Portfolio Alternatives, and Discretionary Portfolio Solutions Programs is provided in CSSU's Wrap Fee Brochure, which is available upon request.

### **XV. 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.