

**CAIS Capital, LLC**  
**Statement of Financial Condition**  
**December 31, 2020**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL
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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2020 AND ENDING 12/31/2020  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CAIS Capital, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

527 Madison Avenue, FL 2

(No. and Street)

New York

NY

10022

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Timothy Shannon (212)-201-2327

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Lilling & Company LLP

(Name - if individual, state last, first, middle name)

2 Seaview Boulevard

Port Washington

NY

11050

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Timothy Shannon, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CAIS Capital, LLC, as of December 31, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

No exceptions

Tim

Signature

JANICE PARISE  
Notary Public, State of New York  
No. 41-4968956 President & CFO  
Qualified in Queens County  
Commission Expires July 9, 2022

Title

[Signature]  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# CAIS Capital, LLC

## Index

December 31, 2020

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	Page(s)
Report of Independent Registered Public Accounting Firm .....	1
Financial Statements	
Statement of Financial Condition .....	2
Notes to Statement of Financial Condition.....	3-7

# Lilling & Company LLP

Certified Public Accountants

## ***REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM***

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To the Member  
CAIS Capital, LLC  
New York, New York

### **Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of CAIS Capital, LLC as of December 31, 2020, and the related notes (collectively referred to as the financial statement). In our opinion, the financial statement presents fairly, in all material respects, the financial position of CAIS Capital, LLC as of December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

This financial statement is the responsibility of CAIS Capital, LLC's management. Our responsibility is to express an opinion on CAIS Capital, LLC's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to CAIS Capital, LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.



Lilling & Company LLP

We have served as CAIS Capital, LLC's auditor since 2013.

***Port Washington, New York  
February 26, 2021***



**CAIS Capital, LLC**  
**Statement of Financial Condition**  
**December 31, 2020**

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**Assets**

Cash	\$ 6,825,695
Accounts receivable	4,346,442
Prepaid expenses	<u>45,251</u>
Total Assets	<u>\$ 11,217,388</u>

**Liabilities and Member's Equity**

Due to affiliate - net	\$ 1,189,104
Accounts payable and other accrued expenses	<u>130,963</u>
Total Liabilities	1,320,067
Member's Equity	<u>9,897,321</u>
Total Liabilities and Member's Equity	<u>\$ 11,217,388</u>

The accompanying notes are an integral part of the Statement of Financial Condition.

# CAIS Capital, LLC

## Notes to the Statement of Financial Condition

### December 31, 2020

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#### 1. Organization

CAIS Capital, LLC or the "Company" is a limited liability company established in the state of Delaware on July 27, 2009. The Company is registered as a securities broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The company is wholly owned by Capital Integration Systems, LLC ("CAIS LLC"), an affiliated entity established in the state of Delaware.

The Company's headquarters is located in New York, NY and its clients are primarily located throughout the United States.

The Company does not carry securities accounts for customers or perform custodial services and, accordingly, claims exemption from Rule 15c3-3 of the Securities Exchange Act of 1934. There were no subordinated borrowings for the year ended December 31, 2020.

#### 2. Summary of Significant Accounting Policies

##### Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including direct selling agreement fees, underwriting revenue, and a platform distribution fee.

##### Recently Adopted Accounting Standards

Effective January 1, 2020, the company adopted ASC Topic 326, Financial Instruments - Credit Losses ("ASC 326"). ASC 326 impacts the impairment model for certain financial assets by requiring a current expected credit loss ("CECL") methodology to estimate expected credit losses over the entire life of the financial asset. The Company identified accounts receivable as impacted by the new guidance. ASC 326 specifies that the Company adopt the new guidance prospectively by means of a cumulative effect adjustment to the opening member's equity as of January 1, 2020. The Company recognized no adjustment upon adoption. The allowance for credit losses is based on the Company's expectation of the collectability of financial instruments, including accounts receivable, utilizing the CECL framework. The Company considers factors such as historical experience, credit quality, age of balances and current and future economic conditions that may affect the Company's expectation of the collectability in determining the allowance for credit losses. The Company's expectation is that the credit risk associated with accounts receivable is not significant until they are 90 days past due based on the contractual arrangement and expectation of collection in accordance with industry standards. The Company has not provided an allowance for credit losses at December 31, 2020.

##### Cash

Cash consists of cash in banks, primarily held at one financial institution and at times may exceed federally insured limits. The maximum insurable limit on cash deposits is \$250,000. Cash in excess of the insurable limit was \$6,325,695 as of December 31, 2020. The Company reduces its exposure to credit risk by depositing its cash with high credit-quality financial institutions. Management believes that the credit risk of the uninsured portion is remote.

##### Accounts Receivables

Accounts receivable are stated at their net realizable value, which represents the account balance, less an allowance for balances not partially or fully collectable.



# CAIS Capital, LLC

## Notes to the Statement of Financial Condition

### December 31, 2020

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The Company utilizes the above referenced CECL framework to determine if a receivable is uncollectable. In addition, in certain cases management may determine that collection will not be realized, in which case either a direct charge-off is recorded or the allowance previously established is relieved. Management did not believe an allowance was necessary as of December 31, 2020.

#### **Revenue Recognition**

The company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation.

The primary sources of revenue for the Company are as follows:

#### *Direct selling agreement fees*

Direct selling agreement fees consist of revenue earned from providing introducer and investor related services to managers of private investment vehicles, which is also the Company's performance obligation. The Company records direct selling agreement fees over the time the services for the transactions are completed under the terms of each contract. Variable amounts are recognized to the extent it is probable that a significant revenue reversal will not occur once the uncertainty is resolved. For variable amounts the uncertainty is dependent on various factors, commonly the value of the private investment vehicles' assets under management, which is highly susceptible to factors outside the Company's influence. The Company does not believe that it can overcome this constraint until these factors are known, which is generally on a quarterly basis.

#### *Underwriting revenue*

Underwriting revenue generally arises from securities offerings in which the Company provides introducer services to issuers of securities and the broker-dealer or registered investment advisor who represents the purchaser of the offering. Underwriting revenue can also arise from the Company participating in a private placement directly for an entity. Generally, the Company believes its performance obligation is satisfied when the investor, through its broker-dealer or registered investment advisor, purchases the security. The Company records underwriting revenue at a point in time on the trade date when the performance obligation is satisfied. The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred.

#### *Platform distribution fee*

Platform distribution fee occurs from a distribution agreement with CAIS LLC where the Company provides introducer services for investors to purchase interests in private investment vehicles sponsored by CAIS LLC, which is also the Company's performance obligation. The transaction price is a fee that is calculated as a fixed percentage of certain fees payable to CAIS LLC from the investment vehicles and is recognized as revenue when the performance obligation is satisfied, which is over time. Variable amounts are recognized to the extent it is probable that a significant revenue reversal will not occur once the uncertainty is resolved. For variable amounts the uncertainty



# CAIS Capital, LLC

## Notes to the Statement of Financial Condition

### December 31, 2020

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is dependent on various factors, commonly the value of the private investment vehicles' assets under management, which is highly susceptible to factors outside the Company's influence. The Company does not believe that it can overcome this constraint until these factors are known, which is generally on a monthly basis.

#### *Contract Balances*

The timing of revenue recognition may differ from the timing of payment. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment. The balance of accounts receivable is included in the Statement of Financial Condition.

#### *Interest*

Interest is earned from cash in money market accounts. Interest is recorded as earned and is not subject to ASC 606.

#### **Income Taxes**

The Company is considered a disregarded entity for federal and state income tax purposes and is included in the income tax returns filed by CAIS LLC. CAIS LLC is a limited liability company and is treated as a partnership for income tax purposes. No provision has been made for federal and state income taxes since these taxes are the personal responsibility of the members of CAIS LLC. The Company is also included in CAIS LLC's New York City Unincorporated Business Tax ("UBT") return. The Company recognizes UBT taxes as if it is a separate reporting unit.

The Company recognizes the effect of tax positions only when they are more likely than not to be sustained under audit by Taxing Authorities. At December 31, 2020 the Company did not have any unrecognized tax benefits or liabilities. The Company operated in the United States and in state and local jurisdictions, and the previous three years remain subject to examination by tax authorities. There are presently no ongoing income tax examinations.

#### **Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

### **3. Guarantees**

ASC Topic 460, "Guarantees" requires the disclosure of representations and warranties which the Company enters into which may provide general indemnifications to others. The Company in its normal course of business may enter into other legal contracts that contain a variety of these representations and warranties that provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on its experience, the Company expects the risk of loss to be remote.

# **CAIS Capital, LLC**

## **Notes to the Statement of Financial Condition**

### **December 31, 2020**

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#### **4. Receivable from and Payable to Clearing Organization**

There was no receivable from or payable to clearing organization at December 31, 2020. The Company cleared customer transactions through Pershing, LLC on a fully disclosed basis through March 31, 2020, at which point the relationship was terminated and all accounts were subsequently liquidated and closed.

#### **5. Related Party**

The Company entered into a distribution agreement with CAIS LLC, whereby it receives a fee equal to 5% of certain fees payable to CAIS LLC from the private investment vehicles. During the year the fees received by the Company from CAIS LLC were \$503,767.

For the year ended December 31, 2020, the Company earned \$136,311 for facilitating the sale of shares of CAIS LLC and the unpaid balance is included in "Due to affiliate – net" on the Statement of Financial Condition.

The Company also entered into a management services agreement with CAIS LLC, whereby CAIS LLC provides administrative services, office space, and other services related to the development and operation of the Company's business. Payment for such services is calculated monthly based on the expense type and time allocation of the CAIS LLC's personnel and is paid via intercompany loan to the Company. During the year ended December 31, 2020, the Company incurred \$11,520,400 of expenses under the management services agreement. At December 31, 2020 the due to affiliate balance was \$3,175,939 and the due from affiliate balance was \$1,986,835 and is disclosed in the Statement of Financial Condition as "Due to affiliate – net" as \$1,189,104 and is due on demand without interest.

#### **6. Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). Under SEC Rule 15c3-1, CAIS Capital, LLC is required to maintain minimum net capital equal to the greater of \$50,000 or 6.667% of aggregate indebtedness. At December 31, 2020, CAIS Capital, LLC had net capital of \$5,505,628 which was \$5,417,623 above its required net capital of \$88,005. The ratio of aggregate indebtedness to net capital was 0.24 to 1 at December 31, 2020.

#### **7. COVID-19**

The impact of the COVID-19 outbreak on the financial performance of the Company will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Company's financial results may be materially adversely affected. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**CAIS Capital, LLC**  
**Notes to the Statement of Financial Condition**  
**December 31, 2020**

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**8. Subsequent Events**

The Company has performed an evaluation of events that have occurred subsequent to December 31, 2020, and through February 26, 2021, the date of the filing of this report.

There have been no material subsequent events that occurred during such period that would require disclosure in this report or would be required to be recognized in the financial statements as of December 31, 2020.