



**Cain Capital, L.L.C.**

**Form ADV | Part 2A Firm Brochure**

**(Item 1)**

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Cain Capital, L.L.C. is an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). SEC registration does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Cain Capital, L.L.C. If you have any questions about the contents of this brochure, please contact Hugh Hennesy, Chief Compliance Officer, at (214) 720-9561 or [hhennesy@caincapital.com](mailto:hhennesy@caincapital.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Cain Capital, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2. MATERIAL CHANGES**

Since the last annual amendment of this document in March 2017, the following material changes have occurred:

The following have closed:

- SBA Cash Management Program
- Cain Capital Partners Fund I, LP
- Cain Capital Partners Fund II, L.P.
- Cain Capital Enhanced Fund, L.P.

Cain Capital's role as investment advisor in regards to Postman Partners, L.P.'s RBC investment has terminated.

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## ITEM 4: ADVISORY BUSINESS

### ADVISORY FIRM DESCRIPTION

Cain Capital, L.L.C. ("Cain" or "we") has been in business since January 28, 1998. The principal owner is Rod Cain Jones.

### TYPES OF ADVISORY SERVICES

#### *Private Funds and Managed Accounts*

Cain, or an affiliate, manages investment accounts and provides investment supervisory services, on a discretionary basis, for private pooled investment vehicles, partnerships, individuals, individual retirement plans, and trusts. Investment supervisory services include:

- Selecting private equity opportunities or other investment vehicles for investment by the client;
- Determining the client's investment objectives;
- Selecting and monitoring outside managers of separate accounts; and
- Periodically reporting, to the client, the current investment holdings, valuations (as provided by others), transactions, capital gains or losses, investment income, and performance.

### TAILORED ADVISORY SERVICES

Clients cannot impose restrictions on investing in certain securities or sectors. We tailor our advisory services in accordance with each client's needs and investment strategies, as disclosed in our offering documents or managed account agreements.

We also manage private funds that are tailored to specific sectors or markets. All funds are closed to new investors.

### CLIENT ASSETS UNDER MANAGEMENT

As of December 31, 2017, Cain managed \$99,228,428 in discretionary assets and \$22,118,079 in non-discretionary assets for a total of \$121,346,507.

## ITEM 5. FEES AND COMPENSATION

### MANAGEMENT FEES AND PERFORMANCE COMPENSATION

#### *Private Funds*

The below Funds pay Cain or a Cain affiliate fees as follows:

#### *Cain Capital Cryptic, L.P.*

Cain Capital Cryptic, L.P. is a single purpose vehicle that pays its general partner 20% of profits, after the limited partners are returned their initial investment, until they have received an amount equal to four times their aggregate capital contribution. Thereafter, the single purpose vehicle pays its general partner 40% of profits.

*Cain Capital Infrastructure Fund, L.P.*

Cain Capital Infrastructure Fund, L.P. is a single purpose vehicle that pays its general partner 20% of profits, after the limited partners are returned their initial investment.

*FAX/Melbourne, L.P.*

FAX/Melbourne, L.P. is a single purpose vehicle that pays its general partner (Family Access Exchange, L.P.) 20% of profits, after the limited partners are returned their initial investment.

***Managed Accounts***

In certain situations, we charge a fixed fee for investment advisory services. These fees are generally charged quarterly in advance. This situation occurs solely in dealings with a “family office” to which we provide investment advisory services for managed accounts. These fees are directly deducted from client accounts. Fees vary between clients, depending upon the level of contact required, so some clients pay more than others.

**TERMINATION**

Our advisory contracts generally contain provisions that govern when an advisory contract may terminate. We are required to return any pre-paid advisory fees, subject to the deduction of fees for services rendered.

**ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

**PRIVATE FUNDS**

Cain, or an affiliate, receives performance-based compensation from certain clients. Refer to *Item 5. Fees and Compensation* for a more detailed explanation of our performance-based compensation. Collecting performance-based fees may provide us with an incentive to recommend riskier investments than we might otherwise recommend.

To the extent that different funds and accounts, with similar strategies, have differing fees, we have a conflict of interest with clients paying lower, or no performance fees. We may be incentivized to favor funds or accounts paying higher fees. This is mitigated through constant monitoring by the Chief Compliance Officer, ensuring that all clients are treated fairly and equitably, particularly when allocating limited investment opportunities.

**MANAGED ACCOUNTS**

We do not receive performance-based fees from our managed account clients.

**ITEM 7. TYPES OF CLIENTS**

We provide investment advisory services to:

- Individuals;
- High net worth individuals;
- Individual retirement plans;
- Trusts, estates and charitable organizations;
- Pooled investment vehicles.

Minimum investments in our pooled investment vehicles depend upon the individual underlying investment.

The general investment minimum required of our non-pooled investment vehicles is \$1,000,000. However, we have the discretion to accept investments of lesser amounts.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **METHODS OF ANALYSIS**

We primarily use fundamental analysis in evaluating investments for client accounts. This involves the analysis of financial attributes of a company, such as revenue growth, debt to equity ratio, and inventory turnover.

### **INVESTMENT STRATEGIES**

The investment strategies we use to implement investment advice include:

- Long-term purchases (investments held at least one year);
- Investing in private issues; and
- An affiliated single purpose vehicle purchases futures to hedge actual grain ownership.

### **RISK OF LOSS**

#### *In General*

We do not guarantee the future performance, or any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our overall management of a client account. The investment decisions we make for a client's account are subject to various market, currency, economic, political, and business risks; and those investment decisions will not always be profitable. Investing in any security entails risk of loss.

More specifically, several of our investment strategies generate particular risks. The most notable of these risks is:

#### *Concentration of Investments*

Cain and our affiliates have broad discretion over investment programs and may choose to allocate substantial portions of assets under management to a particular investment. In particular, many of these vehicles are focused on a particular sector or business entity. This may tend to result in more rapid changes, upward or downward, in a client's portfolio than would be the case with greater diversification. A loss in any such position could result in a substantial loss, having a material adverse impact on the client's capital.

For a complete explanation of all relevant investment strategies and their associated risks, our clients and investors should review the applicable offering document or disclosure document which may contain explanations of additional strategies, risks, and other related details not discussed above.

## **ITEM 9. DISCIPLINARY INFORMATION**

There have been no disciplinary actions against Cain or any of our officers, principals, or affiliates.

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

Neither Cain nor any of our officers, principals, or affiliates is registered, nor has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor; nor is an associated person of any of the above.

### **AFFILIATIONS WITH POOLED INVESTMENT VEHICLES**

Cain and our affiliates have sponsored a number of private investment funds that we manage. Cain Capital Management, L.P.; Family Access Exchange, L.P.; Cain Capital Infrastructure, GP, L.L.C.; and Cain Capital Cryptic Genpar, L.P. serve as general partners to some of the fund clients. Additionally, Cain Capital Cryptic Genpar, GP, L.L.C. is the general partner of one of the single purpose vehicle's general partners. Mr. Jones is the sole member of RCJ NTB Real Estate LLC, a single purpose vehicle. The fund clients do not have independent management. Although this arrangement may give us and our affiliates heightened control and discretion over our fund clients, we, along with our affiliates, manage any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in each fund client's offering documents.

### **AFFILIATIONS WITH OTHER INVESTMENT MANAGERS**

FAX Genpar, LLC, is an affiliated entity that provides investment management services to Family Access Exchange L.P. ("FAX") and Family Access Exchange L.P. II ("FAX II"). All underlying partnerships of these entities are single purpose vehicles that do not present any conflict of interest with Cain (e.g., fee structures or ownership interests) or our clients.

Fax Genpar, LLC is the general partner of FAX, which has a revenue sharing arrangement with Whitehorse Capital Partners, L.P. ("WHCP"), an unaffiliated investment advisor that collects and distributes management fees.

FAX Genpar, LLC is also the general partner of FAX II, which is a member of BCM High Income GP, LLC. BCM High Income GP, LLC is the general partner of the BCM High Income Fund, LP, in which our clients have invested. The BCM High Income Fund, LP is managed by an unaffiliated investment manager, Baner Capital Management, LLC.

Rod Jones is also an independent contractor and registered representative of Chertoff Capital, L.L.C. In this capacity, Mr. Jones primarily assists the firm with fundraising for its private placement transactions. In 2017, Mr. Jones received some compensation from the firm for these efforts and may do so in the future. Mr. Jones is only compensated on the amount of outside capital raised (not capital raised from his family office or family members). This mitigates a conflict of interest with Cain's clients as Mr. Jones will not be incentivized to recommend investment products that he might not otherwise recommend. Mr. Jones also acts as an independent contractor to the Chertoff Group LLC (the parent company of Chertoff Capital, LLC) and is entitled to receive compensation including referral fees for any new business referred. No such compensation was paid for this function in 2017.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **CODE OF ETHICS**

We have adopted a code of ethics which describes the general standards of conduct that we expect of all Cain personnel (collectively referred to as “employees”). Failure to uphold the code of ethics may result in disciplinary sanctions, including termination of employment. Any client or prospective client may request a copy of our code of ethics, to be provided at no cost, by contacting Hugh Hennessy via the contact information listed on the cover page of this document.

The following basic principles guide all aspects of our business and represent the minimum requirements to which we expect employees to adhere:

- Clients’ interests come before employees’ personal interests and before Cain’s interests.
- Cain must fully disclose all material facts, of which we are aware, about conflicts of interest between our firm and clients as well as between our employees and clients.
- Employees must operate on our behalf, as well as their own behalf, consistently with our disclosures in order to manage the impacts of any conflicts.
- Cain and our employees must not take inappropriate advantage of our positions of trust with or responsibility to our clients.
- Cain and our employees must always comply with all applicable securities laws.

More specifically, in the implementation of the guidelines outlined in the code of ethics, the policies and procedures focus on specific areas in which employee conduct has the potential to adversely affect our clients: (1) personal securities trading and (2) outside business activities. Additionally, our policies prohibit the use of material nonpublic information in any communications or investment decisions.

### **PERSONAL TRADING**

Cain prohibits personal trading in particular securities, as defined on a periodic basis, depending upon the current investments under consideration or which are being traded for clients. As such, we require the following:

- Pre-clearance before placing a trade with more than \$10,000 in principal or purchasing an IPO or a new private placement outside of Cain;
- Pre-clearance is not required for Cain investments;
- Periodic reporting of employees’ personal securities transactions and holdings (employees are required to submit reports of personal securities trades on a quarterly basis and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with our policies.); and
- Prompt internal reporting of code of ethics violations.



## **ITEM 12. BROKERAGE PRACTICES**

### **BROKER SELECTION**

In recommending brokers and negotiating commission rates, we consider various factors, including:

- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- The operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity, and stability of the broker; and the broker's risk in positioning a block of securities;
- The quality, comprehensiveness, and frequency of available research services and other services (if any) that we consider to be of value; and
- The competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria.

However, Cain does not execute securities trades for clients, and many custodial/brokerage relationships are directed by our separate account clients. Therefore, we have no control over trade execution on publicly traded securities for our clients. We meet with our clients' brokers routinely and discuss their best execution efforts.

### **RESEARCH AND OTHER SOFT-DOLLAR BENEFITS**

Soft dollars are credits generated from client transactions with brokers or dealers which are made available to provide research or other services or products to investment advisers. Any use of soft dollar credits requires the approval of the Chief Compliance Officer. We are not currently generating or using soft dollar credits, nor have we done so in the past.

### **BROKERAGE FOR CLIENT REFERRALS**

We do not receive referrals from a broker/dealer or third party providing service to us.

### **DIRECTED BROKERAGE**

Clients often direct us to use particular brokers for trading or as custodians. We therefore have no control over commission rates or quality of trade execution in these accounts.

### **ORDER AGGREGATION**

#### *Private Funds and Managed Accounts*

We do not execute trades through broker/dealers for our private funds or managed account clients; therefore, order aggregation is not applicable to these client accounts.

## **ITEM 13. REVIEW OF ACCOUNTS**

The Chief Operating Officer and Chief Compliance Officer review each account at least monthly. More frequent review is performed if considered appropriate as a result of market or economic conditions, or a change in the price or fundamentals of a particular security. Consideration is given to the client's investment objectives, policies, and restrictions.

## **PRIVATE FUNDS THAT ARE NOT SPECIAL PURPOSE VEHICLES**

We provide private fund investors with annual audited financial statements and tax information.

## **SPECIAL PURPOSE VEHICLES (“SPVs”)**

Clients participating in our special purpose vehicles receive tax information.

## **MANAGED ACCOUNTS**

At least quarterly, we provide our family office clients with a written investment report detailing portfolio holdings, valuations (which are provided by outside parties), investment income, and management fees.

Some clients also receive statements from the account custodian. Refer to *Item 15. Custody* for further information. Clients are urged to carefully review custodians' statements and take the time to compare them with those they receive from us. If a client finds significant discrepancies, he/she should notify us, as well as the custodian.

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **PRIVATE FUNDS AND MANAGED ACCOUNTS**

Neither Cain, nor any of our principals, employees, or affiliates, receives any economic benefit from non-clients for providing advisory services to our clients. We do not receive referrals from any broker/dealer or third party providing services to us.

## **ITEM 15. CUSTODY**

### **SEPARATE ACCOUNTS**

Custody is defined as having any access to client funds or securities. Because we generally have the authority to instruct the account custodian to deduct the management fee directly from a client's account, and because we have bill pay or check writing authority on our clients' accounts, we have custody of the separately managed accounts, even though they are held by qualified custodians. These custodians send account statements, to clients, at least quarterly. Such statements show the deduction of management fees from the account, as well as all transactions occurring in the account, including any checks written. Refer to *Item 13. Review of Accounts* for further details regarding the review and comparison of account statements received from us and the custodian.

### **PRIVATE FUNDS**

Client assets in private funds are held by qualified custodians that provide statements, at least quarterly, directly to each client and limited partner. Such statements show evidence of ownership.

Where Cain or an affiliated entity is the general partner for a private fund investing in securities, each fund is audited by a PCAOB inspected accounting firm, with the audited financial statements sent to each limited partner, as required. All audits, to date, have resulted in unqualified opinions.

## **SPVs AND MANAGED ACCOUNTS**

Client assets in special purpose vehicles are held by qualified custodians. Each custodian provides statements, at least quarterly, directly to our clients and investors. Evidence of ownership is detailed in the statements.

Annual surprise exams are conducted for the special purpose vehicles and family office client accounts in which Cain or an affiliate has bill pay or check writing authority.

## **ITEM 16. INVESTMENT DISCRETION**

### **PRIVATE FUNDS AND MANAGED ACCOUNTS**

We have the authority to engage or terminate engagements of outside managers providing investment advice to clients' separate accounts.

Although we do not have to obtain specific client consent before determining the type or amount of securities to be purchased or sold, the types of securities which may be purchased or sold on behalf of each client, as well as any exposure limits or investment thresholds, are set forth in the respective private placement memoranda distributed to each client's potential investors. The limited partnership agreements provide us with a limited power of attorney on behalf of each partnership. We do not use brokers in our transactions in hedge fund securities.

## **ITEM 17. VOTING CLIENT SECURITIES**

Several client accounts hold public securities. Neither Cain, nor any outside manager, votes proxies for client accounts. Each client receives all proxy materials directly from the account custodian.

## **ITEM 18. FINANCIAL INFORMATION**

We are not required to provide financial statements. However, there are no current financial conditions that might affect our ability to provide services to our clients.