



## CAZ INVESTMENTS

*A Wealth Management Firm*

One Riverway, Suite 2000

Houston, Texas 77056

Phone: 713-403-8250

Fax: 713-403-8251

[www.cazinvestments.com](http://www.cazinvestments.com)

---

Item 1 – Cover Page

# Form ADV Part 2 Brochure

Updated as of: March 26, 2012

This Brochure provides information about the qualifications and business practices of CAZ Investments L.P. If you have any questions about the contents of this Brochure, please contact us at 713-403-8250 or [www.cazinvestments.com](http://www.cazinvestments.com). 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 CAZ Investments L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for CAZ Investments L.P. is 113931.

## Item 2 - Material Changes

---

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes, as necessary.

We will further provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge. The material changes in this March 26, 2012 update to our Brochure are the following:

- Addition of CAZ Equity Income Fund, L.P.

Currently, our Brochure may be requested by contacting J. Casey Hodges, Chief Compliance Officer, at 713-403-8250 or [jchodges@cazinvestment.com](mailto:jchodges@cazinvestment.com). Our Brochure is also available on our web site at [www.cazinvestments.com](http://www.cazinvestments.com) free of charge.

Additional information about CAZ Investments is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with CAZ Investments who are registered, or are required to be registered, as investment adviser representatives of CAZ Investments.

## Item 3 – Table of Contents

---

Item 1 – Cover Page .....	i
Item 2 - Material Changes.....	ii
Item 3 – Table of Contents.....	iii
Item 4 - Advisory Business .....	1
Item 5 - Fees and Compensation .....	19
Item 6 - Performance-Based Fees and Side-By-Side Management .....	27
Item 7 - Types of Clients .....	28
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	29
Item 9 - Disciplinary Information .....	44
Item 10 - Other Financial Industry Activities and Affiliations.....	45
Item 11 - Code of Ethics, Participation in Client Transactions and Personal Trading .....	47
Item 12 - Brokerage Practices .....	50
Item 13 - Review of Accounts .....	56
Item 14 - Client Referrals and Other Compensation .....	59
Item 15 - Custody.....	61
Item 16 - Investment Discretion .....	62
Item 17 - Voting Client Securities .....	65
Item 18 - Financial Information .....	67
Item 19 - Additional Information .....	68

## **Item 4 - Advisory Business**

---

### **Firm Description**

CAZ Investments L.P. (“CAZ Investments”, “CAZ”, “we” or the “firm”), a Texas limited partnership, is an investment advisory firm registered under the Investment Advisors Act of 1940, as amended. CAZ was founded in 2001 by its General Partner, CAZ Investments LLC, a Texas limited liability company of which Christopher A. Zook is the majority owner and Chairman.

### **Our Mission**

As a premier asset management firm, our mission is to provide highly professional financial and investment advisory services to both high net worth individual and institutional clients. We accomplish this mission utilizing a single, uncompromising focus on meeting or exceeding our client's expectations and specific longer-term investment objectives through the use of appropriate investment strategies and investment asset classes. We believe the long-term success of our firm, our employees, and our partners' investments will hinge on our integrity, our professionalism, and our ability to consistently focus on our ultimate goal of continuing to meet our clients' present and evolving investment and financial needs.

### **Advisory Services – Separately-Managed Accounts (“SMA”)**

#### **Customized Investment Strategies for SMA Clients**

For some clients, especially institutional investors, CAZ serves as an investment adviser in a more narrowly defined role. For example, CAZ may be retained to manage only one asset class (e.g., large capitalization common stock portfolio or duration-limited fixed income portfolio) or one investment style from its investment product offering. In such an investment advisory relationship, the portfolio's investment strategy is more limited by the specific product or investment style being sought by the client.

However, for many clients, especially individual investors, CAZ tailors its advisory services to the individual needs of the client based upon the client's goals and objectives for overall portfolio returns, cash flow, and volatility/risk. To meet such

customized needs, accounts typically utilize one of CAZ's model common stock portfolios to fulfill their equity allocations in their overall strategy. Additional asset allocations (e.g., government bonds, corporate bonds, high yield bonds, municipal bonds, preferred stocks, master limited partnerships and real estate investment trusts) may be incorporated in client portfolios to provide a "balanced" investment portfolio, when desired or deemed appropriate, in meeting their specific objectives regarding portfolio volatility, or cash flow from the investment portfolio. Investment products, including private investment limited partnerships or "private funds" managed by other investment advisory firms, including investment advisory firms related to or affiliated with CAZ, may be utilized or blended with CAZ's investment products in an effort to meet specific client goals and objectives. Client goals and objectives may incorporate rate of return expectations, volatility tolerance, and diversification goals for their overall combined investment program including assets not managed by CAZ or may only incorporate such goals for the account(s) or portfolio(s) managed by CAZ.

**Does CAZ accept client-directed restrictions or limitations regarding SMA portfolio investments?**

Yes. In establishing customized investment guidelines and objectives for their SMA portfolios, clients may request to limit or restrict CAZ from investing in certain investments or investment asset classes for their SMA portfolio. Such limitation or restrictions may include guidelines to limit or restrict investments in securities of companies due to one or more of the following reasons:

- Socially responsible concerns:
  - Health Conscious (e.g., tobacco or alcohol)
  - Religious Awareness (e.g., pork, nuclear or defense)
  - Human Rights Awareness
- Asset class avoidance or limits
- Economic sector avoidance or limits
- Industry avoidance or limits
- Specific security avoidance or limits
- Use of leverage or borrowing in their portfolio
- Other concerns regarding types of investments.

The imposition of restrictions or limitations on a SMA portfolio may result in investment performance results and account volatility that could be materially different than that

experienced by client accounts without such restrictions or limitations. Such material difference for restricted SMA portfolios may be to the advantage or to the disadvantage of such restricted accounts relative to fully-discretionary or unrestricted accounts.

**When can I terminate my SMA investment advisory agreement?**

The investment advisory agreement for SMAs may be terminated by either party at any time.

**What Investment Products are generally available to SMA Clients?**

CAZ offers three common stock-focused investment portfolios to clients either as a sole investment product or in various combinations, or blends, with other investment asset classes as determined in reaching their specific asset allocation strategy:

**Cornerstone** (“Cornerstone Portfolio”)

The investment objective of the Cornerstone Portfolio is to exceed the return of the S&P 500 over a full market cycle with a similar risk profile. This long-only approach is intended to provide a solid foundation for a diversified common stock portfolio. The Cornerstone Portfolio is managed as a separate account and typically owns approximately 40 - 50 large capitalization, U.S.-based securities from multiple economic sectors of the market. Client portfolios following the Cornerstone Portfolio tend to be fully invested during all phases of a market cycle. Portfolio turnover is monitored to address tax efficiency.

**Concentrated Cornerstone** (“Concentrated Cornerstone Portfolio”)

The investment objective of the Concentrated Cornerstone Portfolio is to increase principal value. This long-only approach is focused on absolute performance with a higher risk profile than the overall market. The Concentrated Cornerstone Portfolio does not necessarily expect to outperform specific benchmark indexes. The Concentrated Cornerstone Portfolio is managed as a separate account and typically owns approximately 15 - 30 stocks that represent compelling value and timely near term price appreciation prospects from the list of 40 - 50 large capitalization, U.S.-based securities owned in the Cornerstone Portfolio. Cash reserves invested in money market funds or other cash equivalent investment are allowed to rise and fall when / as our perception of common stock investment opportunities fluctuates. Due to the number of holdings in the Concentrated Cornerstone Portfolio, the portfolios tend to be more concentrated or focused portfolios with their investment allocations

to individual securities and to major economic sectors of the market than the Cornerstone Portfolio. Portfolio turnover generally is more active than in the Cornerstone Portfolio.

**Tactical Growth and Income** (“Tactical Growth and Income Portfolio”)

The investment objective of the Tactical Growth and Income Portfolio is to grow principal value and to generate a slightly higher stream of income for investors. This long-only approach is focused more on absolute performance with a slightly lower risk profile than the overall market. CAZ does not necessarily expect to outperform specific benchmark indexes. The Tactical Growth and Income Portfolio is managed as a separate account and typically owns approximately 15 - 30 common stocks that represent compelling value and timely near term price appreciation prospects from the list of 40 - 50 large capitalization, U.S.-based stocks already owned in the Cornerstone Portfolio. In addition, the Tactical Growth and Income Portfolio will invest in other income producing asset classes such as preferred stocks, bonds, real estate investment trusts (REITs) and publicly-traded master limited partnerships (MLPs). Due to the number of holdings and the use of industry-focused asset classes (e.g., REITs and MLPs) in the Tactical Growth and Income Portfolio, the portfolio tends to be more concentrated or focused with investment allocations to individual securities and to major economic sectors of the market than the Cornerstone Portfolio. Portfolio turnover generally is more active than in the Cornerstone Portfolio.

**Balanced Accounts** (“Balanced Portfolios”)

CAZ also offers Balanced Account to clients based upon their specific investment objectives, goals and guidelines. Balanced Accounts typically combine multi-asset classes, such as stocks and bonds, in one portfolio. Various investment asset classes are combined to target forecasted rate of return, volatility or risks, and dividend and interest income cash flow for the portfolio.

**Advisory Accounts** (“Advisory Portfolios”)

CAZ offers Advisory Account to clients, when necessary, to meet specific client objectives and goals that are not readily met by any other investment products, or combination thereof, listed above. Advisory Accounts may include a greater use of investment company securities (e.g., mutual funds), exchange traded funds, or sub-advised separately managed accounts.

**Does CAZ utilize the services of third-party sub-advisors for clients' SMA portfolios?**

CAZ Investments may from time-to-time enter into sub-advisory agreements with other registered investment advisers for the benefit of specific clients. Such sub-advisory agreements are normally established to fulfill specific asset class mandates required by the respective client in their statement of goals and objectives. Under these agreements, a portion of the advisory fees paid to CAZ Investments will be shared with the sub-advisors. CAZ Investments will periodically either perform due diligence reviews or review due diligent review reports provided on the sub-advisory firm. Adviser will maintain executed agreements for these arrangements on file. The fee schedules and account minimums vary by sub-advisor. Such sub-advisory fees may be negotiated with the sub-advisor from time-to-time by CAZ. When such sub-advisory arrangements are made, the sub-advisory arrangement will be disclosed by CAZ Investments to clients by delivery of the Form ADV Part II for CAZ Investments and the sub-advisory firm.

**Advisory Services – Private Funds**

In addition to our Mission with regard to investors' longer-term core investment assets (e.g., common stocks, bonds, etc.), CAZ Investments strives to develop special purpose investment vehicles designed to meet specific reward versus risk goals and parameters and / or to take advantage of perceived economic or investment opportunities we foresee developing. These vehicles are intended to complement longer-term investors' core holdings, are typically formed as private limited partnerships with specific investment objectives, and are made available to qualified investors for whom the private fund(s) appears appropriate.

In developing these special purpose investment partnerships, CAZ generally:

- Forms a worldview to identify major economic and investment themes that should be rewarding and prevalent over the intermediate term;
- Performs due diligence and research to identify specific investments in an attempt to exploit the identified investment opportunities for optimum return potential; and
- Structures private investment limited partnership to provide qualified clients access to these special purpose investment vehicles if / when / as deemed appropriate in the quest to benefit from the identified investment theme.



**Customized Investment Strategies for Private Fund Investors**

For some clients, especially institutional investors, CAZ serves as an investment adviser in a more narrowly defined role. For example, the client may select to invest in only one private fund from CAZ's investment product offering. In such an investment advisory relationship with CAZ, the investor's investment strategy is more limited by the specific investment objectives and investment style of the private fund being sought by the client.

However, for many clients, especially individual investors, CAZ tailors its advisory services to the individual needs of the client based upon the client's goals and objectives for overall portfolio returns, cash flow, and volatility/risk. To meet such customized needs, accounts may also utilize one or more of CAZ's private funds to formulate their respective investment strategy. Investment products, including private investment limited partnerships or "private funds" managed by other investment advisory firms, including investment advisory firms related to or affiliated with CAZ, may be utilized or blended with CAZ's investment products in an effort to meet specific client goals and objectives. Client goals and objectives may incorporate rate of return expectations, volatility tolerance, and diversification goals for their overall combined investment program including assets not managed by CAZ or may only incorporate such goals for the account(s) or portfolio(s) managed by CAZ.

**Does CAZ accept client-directed restrictions or limitations regarding private fund investments?**

Generally, CAZ private fund investors may not impose restrictions, limitations or other exceptions to the private fund's written partnership agreement and offering memorandum especially as it relates to investment style or objectives of the partnership.

CAZ Investments, as General Partner, may agree with a limited partner to waive or modify the application of any provisions of the respective partnership agreement with respect to such limited partner without obtaining the consent of any other limited partner (other than the limited partner who is materially and adversely affected by such waiver or modification). Such waivers or modifications are "side letter agreements", usually benefiting the limited partner subject to the side letter agreement. Side letter agreements could alter various partnership provisions including, but not necessarily limited to, redemption or contribution privileges, management fees or incentive

allocations, and other such partnership agreement provisions. The General Partner may agree to, and in some cases has agreed to, such “side letter agreements” with certain limited partners in the private funds.

**When can I terminate my private fund investment advisory agreement?**

The private funds’ investment advisory agreements are controlled by the partnership agreement of each respective private fund. Partial withdrawals, full withdrawals or termination of an investor’s participation in private funds normally involves specific periodic time periods during which an investor may withdraw / terminate and may also limit the amount of funds that may be withdrawn at any one time. Private fund investors should carefully read and ensure their understanding of their respective private fund’s partnership agreement especially regarding their provision for investor’s withdrawal and termination

**What Investment Products are generally available to private fund investors?**

CAZ Investments serves as the general partner of limited partnerships or private funds and offers such investment alternatives to qualifying investors. In particular, CAZ Investments is the General Partner of CAZ Multi-Strategy Fund, L.P., CAZ Multi Strategy Offshore Fund, Ltd., CAZ Hedged Cornerstone Fund, L.P., CAZ Interest Rate Opportunity Fund, L.P., CAZ Partners Fund, L.P., CAZ Credit Opportunity, L.P., CAZ Financial Recovery Fund, L.P., CAZ Energy Infrastructure Fund, L.P., CAZ Oil & Gas Production Fund, L.P., CAZ Real Estate Recovery Fund, L.P., CAZ Healthcare Fund - Israel, L.P. and CAZ Equity Income Fund, L.P., all of which are Texas limited partnerships and are organized as private investment funds. [“Private Funds”]. CAZ Multi Strategy Offshore Fund, Ltd. is a Cayman Islands exempted company.

**CAZ Multi-Strategy Fund, L.P.**

The investment objective of CAZ Multi-Strategy, L.P. (“Multi-Strategy”), a Texas limited partnership, is to achieve capital appreciation through the use of a “multi-manager” investment approach. The diversification of investment assets across multiple asset classes is intended to produce attractive rates of return with lower levels of volatility than single asset strategies. Multi-Strategy Fund will attempt to leverage the scientific advantage of “modern portfolio theory” into vehicles that can produce exceptional absolute rates of return with lower standard deviation than those returns available from traditional asset classes. Primarily, CAZ Investments intends to invest Multi-Strategy Fund’s capital with “hedge fund” managers and/or traditional investment managers, either by investing directly in pooled vehicles or through the use of managed accounts.

Multi-Strategy Fund has three classes of limited partner interests, Class A, B and Class C. Multi-Strategy Fund offered Class A interests to investors (each a “**Class A Limited Partner**”) through June 1, 2004. For Class A Limited Partners, the General Partner is entitled to monthly management fees payable as of the first day of each month at an annual rate of 1% of each Class A Limited Partner’s capital account balance. The General Partner is also entitled to an annual performance-based profit allocation at the end of each year of 10% of the Partnership’s annual net profits attributable to a Class A Limited Partner, but only to the extent that such profits exceed both (i) a “hurdle rate” of 5% for the year and (ii) any losses carried forward from prior years, based on a “high water mark” formula. The “hurdle rate” is calculated net of management fees, but before the performance-based allocation. Once the “hurdle rate” is achieved, the performance-based allocation is applied to all net profits of a Class A Limited Partner for the year. The Multi-Strategy Fund Class A is currently closed to new investors.

Multi-Strategy Fund is offering Class B interests to investors (each a “**Class B Limited Partner**”) who subscribe after June 1, 2004 and is greater than \$1,000,000. For Class B Limited Partners, the General Partner is entitled to monthly management fees payable as of the first day of each month at an annual rate of 1% of each Class B Limited Partner’s capital account balance. The General Partner is also entitled to an annual performance-based profit allocation at the end of each year of 10% of the Partnership’s annual net profits attributable to a Class B Limited Partner, but only to the extent that such profits exceed both (i) a “hurdle rate” of 5% for the year and (ii) any losses carried forward from prior years, based on a “high water mark” formula. The hurdle rate is calculated net of management fees, but before the performance-based allocation. Once the “hurdle rate” is achieved, the performance-based allocation is applied to all net profits of a Class B Limited Partner for the year. Generally, fees are not negotiable. The minimum investment in the Multi-Strategy Fund Class B is \$1,000,000.

Multi-Strategy Fund is offering Class C interests to investors (each a “**Class C Limited Partner**”) who subscribe after January 1, 2009 and is less than \$1,000,000. For Class C Limited Partners, the General Partner is entitled to monthly management fees payable as of the first day of each month at an annual rate of 1% of each Class C Limited Partner’s capital account balance. The General Partner is also entitled to an annual performance-based profit allocation at the end of each year of 10% of the Partnership’s annual net profits attributable to a Class C Limited

Partner but only to the extent that such profits exceed any losses carried forward from prior years, based on a “high water mark” formula. Generally, fees are not negotiable. The requested minimum investment in the Multi-Strategy Fund Class C is \$500,000.

Each Limited Partner is permitted to make complete or partial withdrawals of such Limited Partner’s interest in the Multi-Strategy Fund as of the close of business on the last day of each fiscal quarter, provided that such Limited Partner has held a limited partner interest for at least twelve complete calendar months prior to such withdrawal. Notice of any withdrawal must be given at least 60 days prior to the proposed withdrawal date. CAZ Investments may, in its sole discretion, waive such notice requirements. Subject to waiver by CAZ Investments, the minimum withdrawal amount for any partial withdrawal is \$50,000.

#### **CAZ Multi-Strategy Offshore Fund, Ltd.**

The investment objective of CAZ Multi-Strategy Offshore (“Multi-Strategy Offshore”), incorporated in the Cayman Islands, is to achieve capital appreciation through the use of a “multi-manager” investment approach. The diversification of investment assets across multiple asset classes is intended to produce attractive rates of return with lower levels of volatility than single asset strategies. Multi-Strategy Offshore Fund will attempt to leverage the scientific advantage of “modern portfolio theory” into vehicles that can produce exceptional absolute rates of return with lower standard deviation than those returns available from traditional asset classes. Primarily, CAZ Investments intends to invest Multi-Strategy Offshore Fund’s capital with “hedge fund” managers and/or traditional investment managers, either by investing directly in pooled vehicles or through the use of managed accounts.

For its services to the Multi-Strategy Offshore Fund, CAZ Investments is entitled to monthly management fees payable as of the first day of each month at an annual rate of 1.0% of Multi-Strategy Offshore Fund’s net assets. CAZ Investments is also entitled to an annual performance-based fee at the end of each year of 10% of Multi-Strategy Offshore Fund’s annual net profits attributable to each Share, but only to the extent that such profits exceed both (i) a “hurdle rate” of 5% for the year and (ii) any losses carried forward from prior years, based on a “high water mark” formula. The “hurdle rate” is calculated net of management fees, but before the performance-based allocation. Once the “hurdle rate” is achieved, the performance-

based allocation is applied to all net profits of a particular shareholder for the year. Generally, fees are not negotiable.

Multi-Strategy Offshore Fund accepts subscriptions for participating shares of the Fund (“Shares”) from eligible investors of at least \$1,000,000 each. Multi-Strategy Offshore Fund generally is open for subscriptions on the first business day of each quarter. Investors generally are permitted to redeem Shares at the close of each fiscal quarter occurring at least 12 months after its initial investment in Multi-Strategy Offshore Fund; provided that the Fund will use its best efforts to eliminate any similar redemption restrictions on Multi-Strategy Offshore Fund’s investments in underlying investment vehicles. All redemption requests must be received by CAZ Investments at least 60 days prior to redemption date.

#### **CAZ Hedged Cornerstone Fund, L.P.**

The investment objective of the CAZ Hedged Cornerstone Fund, L.P. is to participate in market appreciation while providing some protection for the portfolio against market declines. The Fund is typically leveraged. Due to its hedging activities, the Partnership may not participate as fully in rising markets. This portfolio should feature an overall lower volatility and correlation relative to the stock market. The CAZ Hedged Cornerstone Fund will invest in a portfolio of large capitalization, U.S. based stocks. The Fund may from time-to-time maintain a hedge against all or a portion of the Fund’s common stock exposure through the use of Standard and Poor 500 [S&P 500] Index options or other hedging vehicles such as S&P 500 exchange-traded funds [ETFs], etc.

*Monthly Management Fees* - Hedged Cornerstone Fund will pay CAZ Investments a monthly management fee (“Management Fee”) of 0.104% of the capital account balances, calculated as of the last day of the preceding calendar month (i.e., 1.25% per annum).

*Reimbursement of Certain Expenses* - In consideration of the Management Fee, CAZ Investments bears the general overhead expenses for the normal day-to-day business and operations of the partnership. To the extent that services which do not give rise to management expenses (e.g., legal and auditing expenses and other expenses provided for in the limited partnership agreement) are provided or paid for by CAZ Investments, the partnership will reimburse CAZ Investments for such

expenses. Notwithstanding the above, the Management Fee may exceed the expenses actually borne by CAZ Investments on behalf of the partnership.

*Incentive Allowance* - Additionally, the General Partner will receive an incentive allocation which will be a twenty percent (20.0%) performance fee but only to the extent that such profits exceed any losses carried forward from prior years which are based on a “high water mark” formula. The performance-based compensation will conform to SEC Rule 205-3.

*Requested Minimum Investment* - The requested minimum investment in the Hedged Cornerstone Fund is \$500,000, although the General Partner may waive the minimum at its sole discretion.

### **CAZ Partners Fund, L.P.**

The investment objective of the CAZ Partners Fund, L.P. is to generate returns that exceed the rate of return of 90-Day U.S. Treasury Bills by 3% per annum through investments in a wide range of investment securities, including publicly-traded U.S. and foreign debt and equity securities (on both a long and short basis), private investment vehicles, including hedge funds, segregated accounts and other private investment funds, as well as a broad array of other securities in both private and public markets.

*Monthly Management Fees* - Partners Fund will pay CAZ Investments, L.P. an annual rate of 1% of each limited partner's capital account balance, provided, however, with respect to limited partners investing through one or more accounts in the aggregate more than \$10,000,000, the management fee shall be reduced to an annual rate of 0.75% of each such limited partner's capital account balances.

*Reimbursement of Certain Expenses* - In consideration of the Management Fee, CAZ Investments bears the general overhead expenses for the normal day-to-day business and operations of the partnership. To the extent that services which do not give rise to management expenses (e.g., legal and auditing expenses and other expenses provided for in the limited partnership agreement) are provided or paid for by CAZ Investments, the partnership will reimburse CAZ Investments for such expenses. Notwithstanding the above, the Management Fee may exceed the expenses actually borne by CAZ Investments on behalf of the partnership.

*Incentive Allowance* - Additionally, the General Partner will receive an annual performance-based profit allocation at the end of each year of 10% of the Partnership's annual net profits, but only to the extent that such profits exceed both (i) a "hurdle rate" of 5% for the year and (ii) any losses carried forward from prior years, based on a "high water mark" formula. The "hurdle rate" is calculated net of management fees, but before the performance-based allocation. Once the "hurdle rate" is achieved, the performance-based allocation is applied to all net profits for the year. The performance-based compensation will conform to SEC Rule 205-3.

*Requested Minimum Investment* - The requested minimum investment in the Partners Fund is \$1,000,000, although the General Partner may waive the minimum at its sole discretion.

### **CAZ Interest Rate Opportunity Fund, L.P.**

The investment objective of CAZ Interest Rate Opportunities Fund, L.P. ("Interest Rate Opportunities"), is to generate returns that substantially outperform the risk free rate of return through investments in a wide range of investment securities that are intended to benefit from an increase in global interest rates. Interest Rate Opportunities assets will generally be allocated among diverse investments ranging from individual securities, in both private and public markets, to pooled investment vehicles managed by other investment advisors.

In order to accommodate slightly different investor objectives, the Partnership is currently offering four series of limited partner interests: Series A Interests, Series B Interests, Series C and Series Z Interests (collectively, the "Series") and may offer additional series in the future. Except with respect to the investment strategies, the Series have identical rights and obligations.

Each Series is further sub-divided into two separate sub-series: Sub-Series 1 Interests and Sub-Series 2 Interests (collectively, the "*Sub-Series*"). The Sub-Series shall be identical in all respects except with respect to management fees and withdrawal rights, each as described below.

*Monthly Management Fees* – Interest Rate Opportunities will pay CAZ Investments, L.P. an annual rate of (i) 1% of the capital account balance of each Limited Partner holding Sub-Series 1 Interests (a "*Sub-Series 1 Partner*"), provided, however, with



respect to Sub-Series 1 Partners investing through one of more accounts, in the aggregate, at least \$5,000,000, the Management Fee shall be reduced to an annual rate of 0.5% of each such Sub-Series 1 Partner's capital account balance and (ii) 2% of the capital account balance of each Limited Partner holding Sub-Series 2 Interests (a "*Sub-Series 2 Partner*"), provided, however, with respect to Sub-Series 2 Partners investing through one of more accounts, in the aggregate, at least \$5,000,000, the Management Fee shall be reduced to an annual rate of 1% of each such Sub-Series 2 Partner's capital account balance.

*Incentive Allocations* - General Partner is entitled to an annual performance-based profit allocation ("Performance Allocation") at the end of each fiscal year equal to 20% of the Partnership's net profits attributable to a Limited Partner for such fiscal year, provided, however, with respect to Limited Partners investing through one of more accounts, in the aggregate, at least \$5,000,000, the Performance Allocation shall be reduced to an annual rate of 10% of the Partnership's net profits attributable to such Limited Partner for such fiscal year. Notwithstanding the foregoing, the annual Performance Allocation may only be made to the extent that the Partnership's net profits attributable to a Limited Partner for such year exceed any losses carried forward from prior fiscal years, based on a "high water mark" formula.

*Requested Minimum Investment* - The requested minimum investment in the Interest Rate Opportunity Fund is \$1,000,000, although the General Partner may waive the minimum at its sole discretion.

### **CAZ Credit Opportunity, L.P.**

The investment objective of CAZ Credit Opportunity, L.P. ("Credit Opportunity"), which is a special purpose vehicle, is to invest solely as a limited partner in Paulson Credit Opportunities II, L.P., a Delaware limited partnership. The investment objective of Paulson II is to achieve maximum capital appreciation, independent of the returns of the overall equity and debt markets, by the use of a variety of security trading strategies as the investment manager, in its discretion, chooses, but principally, by employing fixed income strategies. Securities being traded may include, without limitation, residential mortgage-backed securities, government securities, corporate investment grade and non-investment grade



securities, U.S. and non-U.S. securities, distressed securities and other debt securities both in cash and derivative form, from both long and short prospective. The immediate focus of Paulson II is to short mezzanine residential mortgage securities through credit default swaps and related structured products. Such investment focus may change from time-to-time at the discretion of Paulson & Company within the limits established by Paulson II's limited partnership agreement.

*Monthly Management Fees* - Credit Opportunity will not pay CAZ Investments, L.P. a monthly management fee.

*Incentive Allocation* - CAZ Investments, L.P. will receive from Credit Opportunity at the end of each fiscal year an incentive fee which will be a ten percent (10%) performance allocation of each limited partner's allocable share of net profits for the fiscal year. This performance allocation is subject to a "high water mark" limitation.

*Requested Minimum Investment* - The requested minimum investment in the CAZ Credit Opportunity Fund is \$250,000, although the General Partner may waive the minimum at its sole discretion.

### **CAZ Financial Recovery Fund, L.P.**

The investment objective of CAZ Financial Recovery Fund, L.P. ("Financial Recovery"), which is a special purpose vehicle, is to invest solely as a limited partner in Paulson Recovery Fund, L.P. The investment objective of Financial Recovery is to achieve maximum capital appreciation through trading in debt and equity securities and other instruments expected to appreciate in price due to financial recovery and/or restructuring.

*Monthly Management Fees* - Financial Recovery will not pay CAZ Investments, L.P. a monthly management fee.

*Incentive Allocations* - CAZ Investments, L.P. will receive from Financial Recovery at the end of each fiscal year an incentive fee which will be a ten percent (10%) performance allocation of each limited partner's allocable share of net profits for the fiscal year. This performance allocation is subject to a "high water mark" limitation.

*Requested Minimum Investment* - The requested minimum investment in the CAZ Financial Recovery Fund is \$250,000, although the General Partner may waive the minimum at its sole discretion.

### **CAZ Energy Infrastructure Fund, L.P.**

The investment objective of CAZ Energy Infrastructure Fund, L.P. (“Energy Infrastructure”), which is a special purpose vehicle, is to invest as a limited partner in the EnCap Energy Infrastructure Fund, L.P. The investment objective of EnCap Infrastructure Fund is to invest in assets or companies providing natural gas, natural gas liquids and crude oil midstream services, including, but not limited to: gathering pipelines, transportation pipelines, gas compression assets and services, storage facilities, plants for treating impurities, plants for the extraction of hydrocarbon liquids, plants for fractionation of liquid products, and other such assets or companies providing similar services. Investment opportunities may also be identified in areas integral to oil and gas operations, such as produced water handling and disposal facilities and CO<sub>2</sub> handling. The Partnership will target North American investment opportunities.

*Monthly Management Fees* - Energy Infrastructure will not pay CAZ Investments, L.P. a monthly management fee.

*Incentive Allocations* - Cash received by the Partnership generally will be allocated (i) 100% to the investors, in proportion to their respective capital contributions to the Partnership until such investors have received a return of their capital, and thereafter (ii) 90% to the investors, in proportion to their respective capital contributions to the Partnership, and 10% to the General Partner as its carried interest.

*Requested Minimum Investment* - The requested minimum investment in the CAZ Energy Infrastructure Fund is \$250,000, although the General Partner may waive the minimum at its sole discretion.

### **CAZ Real Estate Recovery Fund, L.P.**

The investment objective of CAZ Real Estate Recovery Fund, L.P. (“Real Estate Recovery”), which is a special purpose vehicle, is to invest as a limited partner in the Paulson Real Estate Recovery Fund, L.P. The investment objective of Real

Estate Recovery Fund is to capitalize on the current distress in the U.S. real estate market.

*Monthly Management Fees* - Real Estate Recovery will pay CAZ Investments, L.P. an annual rate of .5% of each limited partner's capital account balance.

*Incentive Allocations* - Cash received by the Partnership generally will be allocated (i) 100% to the investors, in proportion to their respective capital contributions to the Partnership until such investors have received a return of 9% (Preferred Return), and thereafter (ii) 90% to the investors, in proportion to their respective capital contributions to the Partnership, and 10% to the General Partner as its carried interest.

*Requested Minimum Investment* - The requested minimum investment in the CAZ Energy Infrastructure Fund is \$500,000, although the General Partner may waive the minimum at its sole discretion

#### **CAZ Oil & Gas Production Fund, L.P.**

The investment objective of CAZ Oil & Gas Production Fund, L.P. ("Oil & Gas Production"), which is a special purpose vehicle, is to invest as a limited partner in the EnerVest Fund XII, L.P. The investment objective of EnerVest Fund XII is to generate superior returns for its institutional investors by making prudent investments in the upstream sector of the oil and gas industry in North America.

*Monthly Management Fees* - Oil & Gas Production will not pay CAZ Investments, L.P. a monthly management fee.

*Incentive Allocations* - Cash received by the Partnership generally will be allocated (i) 100% to the investors, in proportion to their respective capital contributions to the Partnership until such investors have received a return of their capital, and thereafter (ii) 90% to the investors, in proportion to their respective capital contributions to the Partnership, and 10% to the General Partner as its carried interest.

*Requested Minimum Investment* - The requested minimum investment in the CAZ Oil & Gas Production Fund is \$500,000, although the General Partner may waive the minimum at its sole discretion.

**CAZ Healthcare Fund - Israel, L.P.**

The investment objective of CAZ Healthcare Fund - Israel, L.P. ("Healthcare Israel"), which is a special purpose vehicle, is to invest as a limited partner in the OrbiMed Israel Partners, Limited Partnership. The investment objective of OrbiMed Israel Partners is to seek income and gain by acquiring, owning, holding and disposing of investments that further the development of businesses in the Israeli life science sector in general and in the Israeli biopharmaceutical sub-sector in particular.

*Monthly Management Fees* - Healthcare Israel will not pay CAZ Investments, L.P. a monthly management fee.

*Incentive Allocations* - Cash received by the Partnership generally will be allocated (i) 100% to the investors, in proportion to their respective capital contributions to the Partnership until such investors have received a return of their capital, and thereafter (ii) 90% to the investors, in proportion to their respective capital contributions to the Partnership, and 10% to the General Partner as its carried interest.

*Requested Minimum Investment* - The requested minimum investment in CAZ Healthcare Israel is \$500,000, although the General Partner may waive the minimum at its sole discretion.

**CAZ Equity Income Fund, L.P.**

The investment objective of CAZ Equity Income Fund, L.P. ("Equity Income"), is to maximize current income while maintaining the opportunity to participate in market appreciation.

To accomplish Partnership's investment objective, the General Partner anticipates investing the Partnership's capital in a portfolio of equity positions offering significant potential for cash flow growth. The General Partner may also pursue income producing option strategies

*Monthly Management Fees* – Equity Income will pay a management fee based on each Limited Partner's capital account balance, calculated and payable weekly in advance. The management fee is calculated at an annual rate of 0.75% for the week in which a Limited Partner's Account Size, which is determined as of the beginning of each week.

For purposes of calculating the management fee schedule above, each Limited Partner's "**Account Size**" shall be an amount, calculated weekly in advance, equal to the greater of (i) such Limited Partner's capital account net asset value as the beginning of such week and (ii) such Limited Partner's contributions measured on a cumulative basis, net of any withdrawals, for all periods since admission to the Partnership through the beginning of such week.

*Incentive Allocations* – Equity Income will not pay CAZ Investments, L.P. an incentive fee.

*Requested Minimum Investment* - The requested minimum investment in the Equity Income Fund is \$500,000, although the General Partner may waive the minimum at its sole discretion.

## Item 5 - Fees and Compensation

---

### What is the Primary Source of Revenue for CAZ?

CAZ's primary source of revenue is derived from advisory fees based upon the amount of assets under management by CAZ. CAZ does not receive commissions or fees based upon the trading activity of client accounts. Avoiding such transaction-based compensation arrangements allows CAZ to mitigate conflicts of interest associated with receiving compensation based upon trading activity that CAZ controls. Having CAZ's revenue independent of portfolio trading activity also assists it in providing objective, unbiased recommendations regarding buying, selling or continuing to hold investments in client's portfolios.

CAZ may receive credits from brokerage firms for CAZ's use to obtain various investment research and investment decision-making products and services. These credits (also known as "soft dollars") are based upon the amount of trading executed on behalf of CAZ's clients by those brokerage firms. Please refer to **Item 12. "[Brokerage Practices](#)"** for a more detailed discussion of CAZ's generation of and use of "soft dollars" for the benefit of its clients.

### What other fees or expenses might clients incur?

In addition to the CAZ's advisory fees noted above, clients also may incur the following fees or expenses in connection with their investment activities:

- **Brokerage Commission and Custodian Charges:** CAZ's advisory fee does not include transaction costs (e.g., brokerage commissions and custodian fees and charges) incurred by the client's account or other direct out-of-pocket costs incurred by CAZ as a result of providing the investment services. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, administrative settlement fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund transfer fees, and taxes on brokerage and securities transactions. Brokerage commissions and fees are charged by and paid to the client's brokerage / custodian firm. These charges and fees are usually deducted from the client's account in association with certain investment transactions or on a recurring time basis. Such fees and

charges are disclosed on the brokerage / custodian firm's statements delivered to the client. See **Item 12. "[Brokerage Practices](#)."**

- **Investment Interest Expenses:** Clients that have margin or line of credit agreements for their accounts with their brokerage / custodian firm may incur investment interest expense charges. Such expenses and charges will be incurred if or when the client account is temporarily out of balance or overdrawn due to the timing of trade settlements. Furthermore, when pre-approved by the client, client will incur investment interest expense charges when leverage or borrowing additional funds against their investment assets. Investment interest expenses and fees, if or when incurred, are charged by and paid to the client's brokerage / custodian firm. These charges and fees are usually deducted from the client's account on a recurring time basis. Such investment interest expense fees and charges are disclosed on the brokerage / custodian firm's statement delivered to the client.
- **Investment Companies' or Pooled Investment Securities fees:** Investment companies (e.g. open-end mutual funds, money market funds, or closed-end mutual funds) and other pooled investment vehicles (e.g., exchange traded funds ("ETFs")) typically charge investment management fees and other expenses to their investors. These charges and fees are usually deducted on a recurring time basis from the investor's asset base. The fees and expenses generally are disclosed in the applicable fund's prospectus and in their periodic financial reports to shareholders of the fund. When these funds are selected for client accounts, the client will bear a proportionate share of those fees and expenses as a shareholder of those funds. Investment management fees and other such expenses are charged by and paid to the investment company or pooled investment fund. Such fees are exclusive of and in addition to CAZ's management fee. CAZ does not receive any portion of these fund commission, fees or costs.
- **Sub-advisory fees associated with sub-advised separately-managed accounts:** In some client specific circumstances, CAZ may enter into sub-advisory agreements for separately-managed accounts with other registered investment advisers for the benefit of that specific client. Such sub-advisory agreements are normally established to fulfill specific asset class objectives required by the respective client in their statement of goals and objectives.

Under these agreements, a portion of the advisory fees paid to CAZ will be shared with the sub-advisors. The fee schedules and account minimums vary by sub-advisor. Such sub-advisory fees may be negotiated with the sub-advisor from time-to-time by CAZ. When such sub-advisory arrangements are made, the sub-advisory arrangement will be disclosed by CAZ to clients by delivery of the Form ADV Part 2 for CAZ and the applicable sub-advisory firm.

- **Additional Financial Consulting Fees:** On a pre-approved, negotiated basis, clients may incur additional fees for broader based financial advice, which may include but are not limited to: cash flow planning to meet future needs/goals; retirement planning; investment planning; college planning; and mortgage/debt planning. These services will be based on fixed fees or hourly fees and the final fee structure will be documented in any contract for such services.
  - Fixed Fee: Depending upon the complexity of the situation and the needs of the client, CAZ's rate for creating client longer-term financial and cash flow plans begins at \$1,500. Fees are paid in arrears upon completion. The fees are negotiable and the final fee schedule will be documented in any contract for such services. Clients may terminate their contracts without penalty, for full refund, within five (5) business days of signing the service contract.
  - Hourly Fee: Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is \$75 - \$250. The fees are negotiable and the final fee schedule will be documented in any contract for such services. Fees are paid in arrears upon completion. Clients may terminate their contracts without penalty, for full refund, within five (5) business days of signing the service contract.
- **Administrative Fees Associated with Certain Private Fund Accounts:** Investors in private funds, especially tax-exempt or tax-deferred accounts, might incur additional trustee fees, custodian fees, or other such additional administrative costs as a result of their investment in private funds. CAZ Investments may agree to, and in some cases has agreed to, assume or reimburse selected clients for such additional fees incurred as a result of their investment in private funds



- **Expense Reimbursement:** Clients may also incur charges for any and all costs and expenses (including taxes) incurred by CAZ as a result of providing investment management services to its clients.

#### **What are the Investment Management Fees on SMA portfolios?**

CAZ's compensation for managing client SMA portfolios generally is calculated at a fixed fee per annum based upon assets under management. CAZ's investment management fees and other account requirements, such as account minimum requirements, are negotiable depending on various factors assessed by CAZ and its client at the outset of a client relationship. These factors include, among other items, the following:

- the investment style or strategy of the account, which is based on the needs and objectives of the client,
- the amount of time and attention required by the client to provide analysis and consulting services to the client,
- whether the account is held by one of CAZ's employees or affiliates,
- whether the account was acquired by CAZ through an acquisition of another advisory firm and, if so, the historical fee arrangements relating to the account, and
- the total value of the assets managed.

CAZ's investment management fee schedule for managing client relationships and SMA portfolios with a broader mandate of services and products, which is the case for most of its individual SMA clients, is as follows:

<b>Market Value of SMA Portfolio</b>	<b>SMA Management Fee Schedule Annual Rate</b>
<b>First \$ 2,000,000</b>	<b>1.00%</b>
<b>Next \$ 3,000,000</b>	<b>0.85%</b>
<b>Next \$ 5,000,000</b>	<b>0.75%</b>
<b>Greater than \$10,000,000</b>	<b>0.65%</b>

Please review to the description of the respective private funds provided herein and the respective private fund's offering memorandum and partnership agreement for investment management fees and other expenses related to each private fund.

#### **What are the account minimums?**

For managing general client relationships and SMA portfolios with a broader mandate of services and products, a minimum of \$500,000 in assets under management is generally required for the establishment of a relationship with CAZ Investments.

For private fund investments, a minimum of \$500,000 investment from a qualified investor in each respective private fund is generally required. Please review the description of the respective private funds provided herein and the respective private fund's offering memorandum for required minimum investments for each private fund. At the discretion of the private fund's general partner, investment minimums may be negotiated with qualified investors.

#### **How are investment management fees calculated?**

Investment management fees for SMA portfolios are calculated on the basis outlined in a client's written agreement with CAZ. Generally, the SMA investment management fee is calculated each calendar quarter by multiplying the account's total asset value by the appropriate investment management fee which is a fixed percentage on an annual basis. The result of such multiplication is then divided by four (4) to determine the amount of investment management fee billed the SMA portfolio on a quarterly basis.

For calculating the SMA portfolio's total asset value under management for client billing purposes, the market prices determined for individual securities owned in clients' accounts on a trade date basis as reported by the client's brokerage / custodian firm or by pricing services (i.e., independent pricing services or custodian/brokerage firm pricing) as of the end of the month immediately preceding the calculation of client's bill is utilized. For determining a client's assets under management for billing purposes, certain adjustments may be made to the brokerage / custodian firm's total market value for the account. Such adjustments may include the following:

- fixed income investments (e.g., CDs and bonds) shall be the market value of all fixed income securities plus accrued interest payable on the investments;
- any actively-managed margin balances that reduce the account's value will be added back to the account's value, and
- other investments (e.g., stocks, warrants, and options) will be the market value of the securities or investments.

Separately-Managed Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Additionally, management fees will be prorated for each capital contribution and withdrawal made during the applicable calendar quarter with the exception of de minimis contributions and withdrawal amounts.

See Section ["What other fees or expenses may clients incur?"](#) for disclosure of other fees and expenses that SMA clients may incur in a managed account.

Normally, private fund investment management fees are calculated by the respective private fund's Administrator according to the provisions of the private fund's partnership agreement. Please refer to the respective private fund's partnership agreement for information regarding how investment management fees are calculated for each private fund.

#### **How are investment management fees paid?**

Management fees for SMA portfolios are calculated and payable on a calendar quarter basis. Investment management fees are normally:

- payable in advance, and

- charged to and deducted directly from the client's investment account at their custodian/brokerage firm.

In some circumstances, the method for the payment of investment management fees may be negotiable. Negotiable terms include paying the investment management fee in arrears, invoicing another client specified account for the investment management fees due, and invoicing the client directly for the investment management fees due.

Normally, private fund investment management fees are calculated by the respective private fund's Administrator and then deducted from the fund's account on a scheduled basis. Please refer to the respective private fund's offering memorandum and partnership agreement for information regarding how investment management fees are paid by each private fund.

**May a client or investor terminate a contract with CAZ at any time?**

Yes, SMA client relationships with CAZ may be terminated by either party at any time with written notice of such termination in accordance with the terms of the applicable investment management agreement.

However, private funds' investment advisory agreements are controlled by the partnership agreement of each respective private fund. Partial withdrawals, full withdrawals or termination of an investor's participation in private funds normally involves specific periodic time periods during which an investor may withdraw / terminate and may also limit the amount of funds that may be withdrawn at any one time. Private fund investors should carefully read and ensure their understanding of their respective private fund's partnership agreement especially regarding their provision for investor's withdrawal and termination

**What is the fee refund policy for a terminated account?**

Upon termination of a SMA investment advisory agreement, any prepaid but unearned investment management fee will be promptly refunded to the terminating SMA client. The final period's fees will be determined based upon a prorated calculation of the fees according to the number of days for which CAZ provided investment management services during the billing period. Then, any prepaid but unearned investment management fee generally will be refunded to the terminating client within two (2) weeks of CAZ's receipt of the written termination notice.

Likewise for any SMA client paying investment management fees in arrears, investment management fees will be recalculated as of the termination date on a prorated basis for the subject billing period. Then, any earned but unpaid investment management fee will be paid to CAZ within two weeks of client's receipt of the written invoice of the prorated investment management fees due.

Notwithstanding the above, if the appropriate disclosure statement is not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with CAZ, then the client has the right to terminate the investment advisory contract without penalty, within five (5) business days after entering into the contract.

Fees incurred as a result of fixed and hourly fees charged in arrears do not qualify for a refund. Client will pay any such fees per the written agreement regarding such assignments.

Normally, private fund investment management fees are calculated by the respective private fund's Administrator and then deducted from the fund's account on a scheduled basis or through the date of withdrawal of funds as provided by the respective fund's partnership agreement. Please refer to the respective private fund's partnership agreement for information regarding how investment management fees are calculated, prorated and paid by each private fund for investors withdrawing amounts from the private fund.

**Does any supervised person accept compensation for the sale of securities or other investment products from other parties?**

Neither CAZ nor any of its supervised persons accept compensation for the sale of securities or other investment products.

However, CAZ may receive credits from brokerage firms for CAZ's use to obtain various investment research and investment decision-making products and services. These credits (also known as "soft dollars") are based upon the amount of trading executed on behalf of CAZ's clients by those brokerage firms. Please refer to **Item 12. ["Brokerage Practices"](#)** for a more detailed discussion of CAZ's generation of and use of "soft dollars" for the benefit of its clients.

**Item 6 - Performance-Based Fees and Side-By-Side Management**

---

**Does CAZ or any of its supervised persons accept performance-based fees or allocations?**

We have entered into performance fee arrangements with certain qualified clients. Performance fee arrangements are subject to individualized negotiation with the respective client. We structure performance or incentive fee arrangements in accordance with available exemptions including the exemption set forth in Rule 205-3. In measuring client's assets for the calculation of performance-based fees, we include realized and unrealized capital gains and losses.

For the private fund investments, please refer to the summary of investment management and incentive performance fees provided in Item 4 "Advisory Services – Private Funds" and, specifically, the respective private fund's partnership agreement for information regarding investment management fees including incentive performance fees associated with each private fund.

**Are there potential conflicts created by managing performance based fee accounts?**

Performance based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. We have procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## Item 7 - Types of Clients

As of March 16, 2012, client assets managed by CAZ Investments are as follows:

As of: December 31, 2011	CAZ's Client Assets		
	Discretionary	Non-discretionary	Total
	Assets (\$millions)	Assets (\$millions)	Assets (\$millions)
<b>Separately-Managed Accounts:</b>			
Equities:	\$ 78.4	\$ 0.0	\$ 78.4
Fixed Income:	\$ 30.6	\$ 0.0	\$ 30.6
Master Limited Partnerships:	\$ 6.9	\$ 0.0	\$ 6.9
Real Estate Investment Trusts:	\$ 1.0	\$ 0.0	\$ 1.0
Other Assets:	\$ 0.5	\$ 0.0	\$ 0.5
Cash and Equivalents:	\$ 26.0	\$ 0.0	\$ 26.0
Sub Total Assets - SMAs	\$143.4	\$ 0.0	\$143.2
<b>Private Funds:</b>			
Proprietary Funds:	\$ 64.6	\$ 0.0	\$ 64.6
Fund of Funds:	\$ 57.1	\$ 0.0	\$ 57.1
Conduit Funds:	\$ 48.1	\$ 0.0	\$ 48.1
Sub Total Assets – Private Funds:	\$ 158.6	\$ 0.0	\$ 158.6
<b>Total Assets Under Management</b>	<b>\$ 313.2</b>	<b>\$ 0.0</b>	<b>\$ 313.2</b>

**Discretionary Accounts:** Accounts managed by CAZ with general investment decision making discretion over the client's account.

**Non- discretionary Accounts:** Accounts managed by CAZ where CAZ's investment decision making is subject to client pre-approval of trading activity or client assets that have been placed with a sub-advisor in an effort to meet specific investment objectives or use specific investment strategies.

Please refer to **Item 5. “[What are the account minimums?](#)”** for a description of the requirements for opening or maintaining an account.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

---

### **What is CAZ's Investment Philosophy?**

Our objective at CAZ Investments is to maintain a consistent process regardless of market conditions. We have found that the biggest impediment to long-term, above-average performance is the tendency of investors, even professional money managers, to change their approach because of market conditions. This is not the way we operate. We utilize a style that, we believe, works over the long term, and we seek to implement this disciplined approach regardless of the short-term market nuances. We maintain our focus and we strive for consistency.

The investment philosophy of CAZ Investments for common stock investing is to seek to identify excellent businesses that demonstrate competitive positions. Once identified, we look for stock prices that reflect reasonable valuations compared to their expected cash flows, growth, and earnings. Our belief is that long-term success in the equity markets is achieved by investing in well-managed businesses that dominate their markets, as long as those investments are purchased at prices that are appropriate given the business fundamentals and prospects.

What makes a price reasonable? While there is no definitive rule or formula, we believe that, before an investment in a common stock is made, an evaluation must take place as if we were planning to acquire the entire company. For this reason, we research the cash-generating power of the business. Earnings-per-share numbers can misrepresent the true profitability of the business. However, cash flow is a much more solid representation of the strength of a business enterprise. We seek out businesses we can buy at a reasonable price compared to the cash generated for the benefit of the shareholders.

Our goal is to take positions in "reasonably priced" stocks that exhibit some of the above conditions, based on their fundamentals and probability of future growth. In summary, we do not just take into account whether an investment is generally considered cheap or expensive by traditional metrics; rather, we focus on the comparative reasonability of its price. This philosophy permeates the decision-making process for each of the investments we make.

### **How does CAZ assist clients in establishing investment objectives and guidelines?**

CAZ assists clients in defining and articulating their goals, objectives, and restrictions or limitations for their investment portfolio. As a result of defining the goals and objectives,



CAZ assists clients in establishing an investment strategy. Investment strategy includes plans regarding:

- Asset Classes – The types of securities (e.g., common stocks, bonds, tax exempt bonds, real estate investment trusts, master limited partnerships, private funds, etc.) that will be utilized in the investment portfolio.
- Asset Allocation – The planned asset class mix or targeted range for each asset class expressed as a percentage of the client's portfolio (e.g., 60% - 75% common stocks)
- Common Stock Investment Strategy – Determining which CAZ's common stock model portfolio (e.g., Cornerstone Portfolio or Concentrated Cornerstone Portfolio) to incorporate in the client's portfolio, if appropriate.

To assist clients in finalizing an investment strategy or policy statement, CAZ reviews and considers various factors, such as:

- Client's investment time horizon for the investment assets
- Client's financial ability and emotional willingness to incur financial losses
- Client's need to generate cash flow to meet particular objectives
- Client's longer-term goals and objectives such as longer-term withdrawal needs or targeted account value goals
- Historical results and prospective outlook for the rate of return and volatility of the asset classes selected for use in the client's portfolio

Many clients, especially institutional clients, independently develop investment strategies, goals and objectives for the investment assets entrusted to CAZ. In such cases, CAZ will confer with the client to confirm that the client's planned investment strategy is consistent with their own stated goals and objectives and with CAZ's historical review and prospective view of investment markets.

**Does CAZ recommend primarily a particular type of security? If so, describe the securities and the material risks involved.**

No. When assisting clients to develop their longer term investment objectives and goals, CAZ encourages them to consider the use of multiple asset classes, as appropriate for

and acceptable to them, in determining their strategy. The asset classes that CAZ will recommend to clients and actively manage for them include the following:

### **Common Stocks**

Common stocks are securities that represent ownership in a corporation. Holders of common stock exercise control by electing a board of directors and voting on corporate policy. Material risks associated with common stock ownership include:

- **Loss of Money** – Loss of money is a risk of investing in common stocks. An investment in common stocks is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency.
- **Volatility** – Common stock and related equity values fluctuate, and sometimes widely fluctuate, in response to various factors, including:
  - Activities specific to the company that issued the common shares,
  - General stock market, economic or political uncertainty, or
  - Adverse individual company developments.
- **Interest Rate Risks** – The most well-known risk in investing in financial assets is interest rate risk, which is the risk that security prices will fall as interest rates rise. As with buying most financial assets, including common stocks, the investor has committed to receiving forecasted or expected payback in the future, and perhaps, periodic dividend payments in the future. Should the market interest rate rise from the date of the purchase, the asset's value will fall accordingly. The financial asset will then be trading at a discount or lower price to reflect the higher prevailing interest rates. Further, interest rate risks may impact the amount of cash available to distribute to shareholders as dividends or other distributions. Market interest rates are a function of several factors such as:
  - the demand for money in the economy,
  - the supply of money in the economy,
  - the inflation rate,
  - the stage that the business cycle is in, and

- the government's monetary and fiscal policies.
- **Lower Priority Claim on Corporate Assets** – Common shareholders are generally at the bottom of the priority ladder in any ownership structure. In the event of liquidation or bankruptcy, common shareholders have rights to a company's assets only after bondholders; preferred shareholders and other debt holders and creditors have been paid in full.

### Income Securities

Income securities are investments that provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. Generally, payments relating to a fixed income security are known in advance. Examples of fixed income securities include the following:

- **Government Bonds** – A debt security issued by a government to support government spending, most often issued in the country's domestic currency. Government debt is **money** owed by any level of government and is backed by the full faith of the government. Federal government bonds in the United States include: the savings bond, Treasury bond, Treasury inflation-protected securities (TIPS), and others.
- **Tax Exempt Bonds** – A security in which the income produced is free from federal, state and local taxes. Most tax-exempt securities come in the form of municipal bonds, which represent obligations of a state, territory or municipality. For some investors, U.S. savings bond interest may also be free from federal income taxes.
- **Corporate Bonds** – A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Corporate bonds are considered higher risk than government bonds. As a result, interest rates paid by corporate bonds are usually higher than rates paid by government bonds, even for top-flight credit quality companies.
- **Preferred Stocks** – A class of ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred stock generally has a dividend that must be paid out before dividends to common stockholders and the shares usually do not have voting rights. The precise

structure of preferred stock is specific to each corporation. Preferred stock is as a financial instrument that has characteristics of both debt (e.g., fixed dividends) and equity (e.g., later stage claim on corporate assets in the event of liquidation or bankruptcy).

- **Variable Rate Securities** – An income security where payments change based on some underlying measure such as short-term interest rates, or the rate of inflation such as Treasury inflation-protected securities (TIPS).

Income securities generally are less risky than common stocks. However, there are some material risks to consider in connection with these investments, including the following:

- **Loss of Money** – Loss of money is a risk of investing in income securities. An investment in income securities is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency.
- **Interest Rate Risks** – As with common stocks, income securities are subject to interest rate risk. By buying an income security, such as a bond, the bondholder has committed to receiving a fixed rate of return for a fixed period. Should the market interest rate rise from the date of the bond's purchase, the bond's price will fall accordingly. The bond will then be trading at a discount or lower price to reflect the higher prevailing interest rates.
- **Reinvestment Risk** – The risk that the proceeds from a bond might be reinvested at a lower rate than the bond originally provided. For example, imagine that an investor bought a \$1,000 bond that had an annual coupon or interest payment of 12%. Each year the investor receives \$120 (12% X \$1,000), which can be reinvested back into another bond. But imagine that over time the market rate falls to 1%. Suddenly, that \$120 received from the bond can only be reinvested at 1%, instead of the 12% rate of the original bond.
- **Call Risk** – The risk that a security will be called by its issuer. Callable securities have call provisions, which allow the security issuer to repurchase the security from the investor and retire the issue. This is usually done when

interest rates have fallen substantially since the issue date. Call provisions allow the issuer to retire the old, high-rate security and sell low-rate securities in a bid to lower their debt costs.

- **Default Risk** – The risk that the security's issuer, whether it be a government or a corporation, will be unable to pay the contractual interest or principal on the bond in a timely manner, or at all. Credit ratings services such as Moody's, Standard & Poor's and Fitch give credit ratings to bond issues, which helps to give investors an idea of how likely it is that a payment default will occur. For example, most federal governments have very high credit ratings (AAA) inasmuch as governments can raise taxes or print money to pay debts, making default unlikely. However, small, emerging companies have some of the worst credit (BB and lower). They are much more likely to default on their bond payments, in which case bondholders would likely lose all or most of their investment.
- **Inflation Risk** – The risk that the rate of price increases in the economy deteriorates the returns associated with the bond. This has the greatest effect on fixed bonds, which have a set interest rate from inception. For example, if an investor purchases a 5% fixed bond and then inflation rises to 10% a year, the bondholder will lose money on the investment because the purchasing power of the proceeds has been greatly diminished. The interest rates of variable rate or floating-rate bonds (i.e., "floaters") are adjusted periodically to match inflation rates or a specific interest rate index, limiting investors' exposure to inflation risk.

### **Master Limited Partnerships (MLPs)**

MLPs are a type of limited partnership that is publicly traded and sells like a common stock on the major stock exchanges. There are two types of partners in this type of partnership: The limited partner is the person or group that provides the capital to the MLP and receives periodic income distributions from the MLP's cash flow, whereas the general partner is the party responsible for managing the MLP's affairs and receives compensation that is linked to the performance of the venture. MLP investors face several kinds of risk that are inherent in these types of investments and in the market, including the following:

- **Loss of Money** – Loss of money is a risk of investing in MLPs. An investment in MLPs is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency.
- **Volatility** – MLPs fluctuate, and sometimes widely fluctuate, in response to various conditions, including:
  - Potentially less geographic and industry diversification among underlying operating assets,
  - Potentially lower trading volume than other securities,
  - Activities specific to the MLP that issued the partnership units,
  - General stock market, economic or political uncertainty, or
  - Adverse individual company developments.
- **Interest Rate Risks** – Similar to common stocks, MLPs are sensitive to interest rate risk. As with buying most financial assets, including MLPs, the investor has committed to receiving forecasted or expected payments in the future and changes in interest rates may adversely affect the value of these payments.

### **Real Estate Investment Trusts (REITs)**

A REIT is a security that sells like a common stock on the major exchanges and **invests** in real estate directly, either through properties or mortgages. REITs face various risks that are inherent in these types of investments, including the following:

- **Loss of Money** – Loss of money is a risk of investing in REITs. An investment in REITs is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency.
- **Volatility** – REITs fluctuate, and sometimes widely fluctuate, in response to various conditions, including:
  - Potential less diversification among underlying real estate portfolios,
  - Potentially lower trading volume than other securities,
  - Activities specific to the company that issued the REIT shares,
  - General stock market, economic or political uncertainty, or
  - Adverse individual company developments.

- **Interest Rate Risks** – Similar to common stocks, REITs are sensitive to interest rate risk. As with buying most financial assets, including REITs, the investor has committed to receiving forecasted or expected payments in the future and changes in interest rates may adversely affect the value of these payments.
- **Liquidity Risks** – Investors in REITs may face liquidity risks stemming from the lack of marketability of an investment, in this case the underlying real estate properties owned by the REIT, that cannot be bought or sold quickly enough to prevent or minimize a loss.
- **Real Estate Market Risks** – Real estate investments involve certain additional risks such as:
  - Refinancing risks,
  - Real estate property valuation risks,
  - Property management risks, and
  - Potential conflicts of interest risk with fund management company.

### **Mutual Funds**

A mutual fund is an investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by investment management firms that invest the fund's capital and attempts to produce capital gains and income for the fund's investors. A mutual fund's portfolio may be structured and maintained to match the investment objectives stated in its prospectus.

- **Risks Associated with Mutual Fund Investing** – Mutual funds possess the same risks, including the risk of loss of money, associated with a direct investment in any of the securities collectively owned by the fund. Mutual fund investing also may involve other risks, including the following:
  - **Investment Management Risk** – The risk of inferior investment decisions being made by the investment manager of the fund that

could lead to investment performance that is below the results experienced by other fund managers or investment advisers.

- **Duplicate Investment Management Fees** – The risk that the investment management fees paid to the mutual fund manager that are in addition to CAZ's investment management fees could materially reduce investment performance below results experienced by similarly managed accounts without duplicate management fees charged.

### **Exchange Traded Funds (ETF)**

An exchange traded fund is a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. ETFs are operated by investment management firms that invest the fund's capital and attempts to produce capital gains and income for the fund's investors. ETFs charge investment management fees that generally are significantly lower than the fees charged by mutual fund investment managers. An ETF's portfolio may be structured and maintained to match the investment objectives stated in its prospectus.

- **Risks Associated with ETF Investing** – ETFs possess many of the same risks described above with respect to mutual fund investing. In addition to those risks, the following risks are also associated with ETF investing:
  - **Concentration of Investments** – The risk of more market value volatility due to a less diversified portfolio that is designed to meet more narrow investment objectives or to only utilize more narrowly defined type of securities.

### **Private Investment Partnerships (Private Funds)**

All investments in securities, including private investment partnerships, include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). Investment markets do fluctuate and do so substantially from time to time. Importantly, historical global and domestic economic events have confirmed that the investment performance of any investment is not guaranteed. As a result, there is a risk of



loss of the assets we manage that may be out of our control. We will do our best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets. Investing in securities involves risk of loss that clients should be prepared to bear.

- **Risks Associated with Private Fund Investing** – Private investment funds possess many of the same risk associated with the other asset classes outlined herein. For more detailed information regarding each private fund's risks of investing, please refer to and review the respective fund's offering memorandum and its partnership agreement.

### **What is CAZ's investment philosophy regarding investing in common stocks?**

CAZ's common stock investment philosophy is founded upon the following precepts:

- **Excess returns generate additional value for shareholders.** Wealth creation is accomplished by a corporation for its shareholders when its own internal return on invested capital is higher or greater than the rate of return expected or required by the providers of its capital, its shareholders and lenders.
- **Great businesses produce operational and financial results that exceed the results of their competitors.** CAZ's clients' capital should be entrusted to those companies that CAZ believes have a better than average or faster growing return on their invested capital as compared to their economic peer group's return on invested capital.
- **Valuation, or price, for common stocks matters.** Value, or price of a company's stock, is just as important to CAZ as a steward of its clients' capital as the company's return on invested capital. Common stocks should be purchased at a discounted price relative to their perceived fair or intrinsic value.
- **Timing or when to purchase or continue to own a stock also matters.** Market behavior of a company's stock can be an indicator, albeit a lagging indicator, of the eventual reality of a company's fundamental outlook. As such, a stock's market behavior can be valuable in deciding or confirming when is the right time to enter, to hold, or to exit a security.

Using these principles, CAZ has adopted and developed various proprietary methods for analyzing common stock investments.

### From what universe of stocks does CAZ make common stock investments for SMA portfolios?

CAZ's common stock investable universe typically includes:

- U.S. based common stocks listed on U.S. stock exchanges, and
- Large capitalization common stocks with total market capitalization greater than \$3 billion.

### What is CAZ's security selection process for common stocks in SMA portfolios?

CAZ builds common stock portfolios from an individual security selection perspective, or from the "bottom up". Macroeconomic and its implications for various economic sectors ("top down" factors) are not separately considered in CAZ security selection process. The following process generally is followed in making common stock investing decisions and in building CAZ's common stock portfolios:

#### Cornerstone Portfolio—Investment Process

- **Common Stock Universe** – CAZ's common stock investable universe includes:
  - U.S. based common stocks listed on U.S. stock exchanges, and
  - Large capitalization common stocks with total market capitalization greater than \$3 billion.
- **Fundamental Research** – CAZ's fundamental financial analysis and review process includes:
  - Evaluating the integrity of the accounting statements,
  - Converting generally accepted accounting principles ("GAAP") financial statements into economic accounting statements,
  - Evaluating various financial metrics and ratios that contribute to a company cash flow return on invested capital to identify companies that have high returns or significantly improving returns on their invested capital,



- Identifying “great businesses to own” for client portfolios based upon the results of the fundamental review, and
  - Utilizing a broad spectrum of information, including financial publications, third-party research materials and systems, regulatory filings, company press releases, industry reports and periodicals, and corporate rating services
- **Valuation** - CAZ’s valuation process seeks to evaluate a company’s fair or intrinsic valuation of companies’ common shares by:
    - Evaluating the value of the entire company based upon:
      - Cash flow forecasts for the company
      - A reduction in the value the entire enterprise by the amount of debt or other outstanding liabilities.
    - Identifying companies that are currently trading at significant discounted prices relative to their perceived fair or intrinsic value, and
    - Evaluating this discounted cash flow valuation methodologies accuracy in estimating the actual market prices paid for the company’s common shares in the past.
- **Timing** - CAZ’s final analytical step in making common stock investing decisions typically involves the use of technical analysis to seek confirmation that the time is right to buy or continue to own the security. CAZ reviews a common stock’s price behavior by evaluating on a combined or collective basis its:
    - “Batting average” - the percentage of days that a stock closes at a higher price than the day before over a given time period,
    - Relative strength – the price trend that indicates how a stock is performing relative to other stocks in its industry over a given time period, and
    - Price momentum - the rate of acceleration of a security's price over a given time period.
- **Portfolio Risk Controls** - CAZ works to apply portfolio mandates and several portfolio controls to control risks in its Cornerstone Portfolio through the following principles:
    - Staying fully invested throughout all phases of stock market cycles – The Cornerstone Portfolio typically will only temporarily own more than five percent (5%) money market funds.

- Positioning diversification controls – The Cornerstone Portfolio will normally own between forty and fifty (40 – 50) stocks. Therefore, normal positions size at the time of purchase is two percent (2%) but may range from one percent to three percent (1% - 3%) of the common stock portfolio's value.
  - Maximum Position Size - At the time of purchase, the Cornerstone Portfolio generally will invest no more than five percent (5%) in any one common stock. Once in the portfolio, common stock positions will be reduced on a timely basis as it becomes eight percent (8%) or greater of the common stock portfolio's total value.
- Setting economic sector diversification controls – The Cornerstone Portfolio will only temporarily allow the portfolio's economic sector weighting to vary outside the following ranges:
  - Large Economic Sectors (Energy, Consumer Discretionary, Consumer Staples, Industrials, Health Care, Information Technology, Financial). At the time of purchase, the Cornerstone Portfolios will typically invest no less than fifty percent (50%) but no more than one hundred fifty percent (150%) in stocks in the larger economic sectors, as defined by the Standard and Poor Corporation.
  - Small Economic Sectors (Basic Materials, Telecommunication Services, Utilities) – At the time of purchase, the Cornerstone Portfolio will invest no more than two hundred percent (200%) in stocks in the smaller economic sectors, as defined by the Standard and Poor Corporation. The Cornerstone Portfolios may not own any positions in these smaller economic sectors.

### **Concentrated Cornerstone Portfolio – Investment Process**

CAZ constructs its Concentrated Cornerstone Portfolio from the list of securities owned by its Cornerstone Portfolio. The investment decision making process for selecting common stocks for the concentrated or focused version of the portfolio is similar to the process outlined above. The material differences between the two products are the portfolio mandates and applied risk controls. The portfolio controls for the *Concentrated Cornerstone* portfolio generally are as follows:

- **Portfolio Risk Controls** - CAZ applies portfolio mandates and several portfolio controls to control risks in its Concentrated Cornerstone Portfolio:
  - Retaining money market reserves in various phases of stock market cycles
    - The Concentrated Cornerstone Portfolio may accumulate larger

investments in money market funds when alternative common stock investment opportunities are not perceived to be as attractive as prevailing money market fund interest rates.

- Positioning diversification controls – The Concentrated Cornerstone Portfolio will normally own between twenty and thirty (20 – 30) stocks. Therefore, normal positions size at the time of purchase is two percent (3.33%) but may range from one percent to three percent (1.50% - 4.50%) of the common stock portfolio's value.
- Seeking a maximum position size - At the time of purchase, Concentrated Cornerstone Portfolio generally will invest no more than six percent (6%) in any one common stock. Once in the portfolio, common stock positions will be reduced on a timely basis as it becomes ten percent (10%) or greater of the common stock portfolio's total value.
- Setting economic sector diversification controls - CAZ does not apply or impose economic sector weighing controls on its Concentrated Cornerstone Portfolio.

#### **Does CAZ's primary investment strategy involve frequent trading of securities?**

Securities trading activity is generally related to the type of asset classes or securities utilized in a client's portfolio and the volatility of security prices.

Trading activity is commonly measured by a statistic called the portfolio "turnover rate". The turnover rate is normally calculated as a percentage by determining the dollar value of securities purchased and the dollar value of securities sold during the measurement period; then, selecting the larger dollar value between the purchases and sells and dividing that dollar value by the average value of the portfolio during the measurement period to determine the portfolio's turnover rate.

Certain asset classes (e.g., income securities such as bonds, master limited partnerships, preferred stocks, and related investments) in CAZ's client portfolios typically experience lower turnover rates than other asset classes' trading activity. Those asset classes experiencing lower trading activity generally experience turnover rates in the 10% to 50% range on an annual basis.

Other asset classes (e.g., common stocks) in CAZ's client portfolios typically experience higher turnover rates due to the inherent volatility of the stock market and to the frequency and magnitude of changes in forecasts for the economy and for corporate

operating results. Furthermore, CAZ's Concentrated Cornerstone common stock portfolios are managed more actively than its Cornerstone portfolios to take advantage of perceived market pricing opportunities. Therefore, the common stock portion of a client's portfolio typically experience trading activity that is higher than other asset classes' trading activity. The three year average portfolio turnover rate for CAZ's two common stock products was:

Common Stock Portfolios	3 Year Average Portfolio Turnover Rate
Cornerstone	114%
Concentrated Cornerstone	237%

Clients' total portfolio turnover, and costs and expenses related to such trading activity, will be determined by their individual investment strategy and their allocation to and use of various asset classes.

CAZ encourages clients with significant common stock allocations in their portfolio and total portfolio assets below projected "break even" values to engage their brokerage firm on an "Asset Based Pricing" basis, when available. Asset Based Pricing arrangements can assist clients control and manage certain costs associated with portfolio activity or turnover, such as commissions paid to brokerage firms. Please see the following Section: ["How does CAZ determine the reasonableness of brokerage commissions?"](#) for a more detailed discussion of Asset Based Pricing arrangements with brokerage firms.

## **Item 9 - Disciplinary Information**

---

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to clients' evaluation of CAZ or the integrity of our management team.

### **CAZ's Disciplinary History**

CAZ has not been involved in any investigation, legal action or censure by any regulatory entity or local, state or federal governmental entity.

### **CAZ Employees' Disciplinary History**

A CAZ employee, while employed by a previous employer, was involved in an investigation by a state regulatory agency for certain actions that occurred in 2000. Aimee McCrory, an employee of CAZ, and her then-current firm, McCrory Associates Investment Management, Inc. were reprimanded and fined by the Texas Securities Board for allowing an employee to render investment advisory services to clients prior to that supervised employee being registered with the Texas Securities Commissioner. The Final Order was resolved in December 2003 with the reprimand and a \$2,500 fine being paid by McCrory Associates. The action occurred and the resolution was finalized prior to Ms. McCrory joining CAZ Investments LP,

## **Item 10 - Other Financial Industry Activities and Affiliations**

---

### **Does CAZ own or have an affiliation with a brokerage firm, a mutual fund, or any other financial institution?**

CAZ does not own or have an affiliation with:

- a broker-dealer; or
- any registered investment companies/mutual funds, or
- any other financial institution.

### **Does CAZ recommend or select other investment advisers?**

From time to time, securities or accounts managed by other investment advisers are recommended for use in client accounts. These recommendations include the following:

#### **Investment Companies / Mutual Funds / Exchange Traded Funds**

CAZ may utilize investment company securities (e.g. open-end mutual fund shares, including money market funds, or closed-end mutual fund shares) and other such pooled investment securities (e.g., ETFs) or “funds” to meet specific needs and investment objectives. These funds typically are managed by other investment advisers. Importantly, these investment advisers charge investment management fees and other expenses to the fund. These charges and fees are usually deducted on a recurring time basis from the fund’s asset base. Such fees and expenses are disclosed in the fund’s prospectus and in their periodic financial reports to shareholders of the fund. When these funds are selected for client accounts, client will bear a proportionate share of those fees and expenses as a shareholder of those funds. Investment management fees and other such expenses are charged by and paid to the investment company or pooled investment fund. Such fees are exclusive of and in addition to CAZ’s management fees. CAZ does not receive any portion of these fund commissions, fees or costs. CAZ does not reduce its fees to adjust for these fund fees and expenses.

#### **Third Party Separately Managed Accounts**

Periodically, CAZ may use an independent registered investment adviser to manage another separate account to meet client specific needs and investment objectives. These investment advisers typically charge investment management fees and other



expenses for managing the account as mutually agreed in their respective investment advisory agreements. Such fees are exclusive of and in addition to CAZ's management fees. CAZ does not receive any portion of these third party adviser's fees or expenses. CAZ may reduce its fees to adjust for fees and expenses incurred by such separately managed accounts.

**Does CAZ have other business relationships with other investment advisers that create or may create material conflicts of interest?**

CAZ does not have affiliations with broker-dealer firms, or investment banking firms, or investment advisory firms. Therefore, CAZ does not have other business relationships with other financial services companies that create or could create material conflicts of interest between CAZ and its clients.

## **Item 11 - Code of Ethics, Participation in Client Transactions and Personal Trading**

---

CAZ has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. All supervised persons at CAZ must acknowledge the terms of the Code of Ethics at least annually or when amended.

CAZ's written Code of Ethics addresses expected employee behavior and CAZ's expectations regarding the following topics:

- Professionalism
  - Employee Responsibility to Know the Laws
  - Independence and Objectivity in Making Judgments for Clients
  - Avoiding Any Misrepresentations
  - Avoiding Any Misconduct
- Integrity in the Capital Markets
  - Avoiding Use of Material Nonpublic Information
  - Avoiding Manipulative Practices regarding the Market
- Duties to Clients
  - Loyalty, Prudence, and Care of Client Interests
  - Fair Dealing
  - Suitability of Advice and Investments
  - Fair, Accurate and Complete Performance Presentations
  - Preservation of Client Confidentiality
- Duties to CAZ
  - Loyalty of Service and Confidentiality of Intellectual Property
  - Disclosure of Additional Compensation Arrangements
  - Reporting any Known Violations of the Code of Ethic or CAZ's Policies and Procedures to the Appropriate Company Officer
- Investment Analysis, Recommendations, and Action
  - Diligence and a Reasonable Basis for Advice and Actions

- Effective and Thorough Communications with Clients and Prospective Clients
- Conflicts of Interest
  - Disclosure of Conflicts of Interest
  - Monitoring and Reporting of Personal Security Transactions
  - Disclosure of Any Referral Fees or Commissions Received
- Responsibility to Protect the Reputation and Integrity of CAZ and of Fellow Employees

CAZ has adopted internal policies and procedures to implement and to monitor it and its employees' practices regarding CAZ's Code of Ethics.

Clients have a right to receive a complete copy of CAZ's Code of Ethics. Clients may request a copy of CAZ's Code of Ethics from their CAZ's representative at any time or may contact its Chief Compliance Officer (713.403.8250) or [jchodges@cazinvestments.com](mailto:jchodges@cazinvestments.com) to receive a copy.

### **Does CAZ recommend securities in which CAZ has a material financial interest?**

Yes, from time-to-time, CAZ may advise client to consider certain private partnership investments that are sponsored by and managed by CAZ. Any such recommendation by CAZ may constitute a conflict of interest. To address this conflict, CAZ provides full disclosure to such client of CAZ's sponsorship of the private investment fund. Additionally, when clients make investments in CAZ's private investment fund products, CAZ does not assess additional investment advisory fees beyond those allowed by the private fund's partnership agreement. Clients are charged fees directly by the private investment fund as mutually agreed in their respective partnership or investment advisory agreements.

CAZ has adopted policies and procedures to address and monitor clients investing in CAZ's investment products. These policies and procedures are intended to avoid potential conflicts of interest between CAZ's financial interest in the success of its products and business versus the interest of CAZ's clients.

**Does CAZ invest in the same securities recommended to its clients?**

Yes. From time-to-time, CAZ, its directors, officers, employees, and/or related individuals and/or affiliated parties ("CAZ's affiliated parties") may have a direct or an indirect ownership position, or a 'short position', in one or more of CAZ's investment recommendations or its clients' existing holdings. However, due to specific goals, objectives and/or restrictions on such accounts, CAZ's affiliated parties' holdings or positions might, or might not necessarily, align with CAZ's recommendation regarding any specific investment or strategy.

CAZ's Code of Ethics includes policies and procedures designed to monitor personal security transactions of CAZ, its officers, employees, and/or related parties. These policies and procedures are intended to avoid potential conflicts of interest between employees' investment holdings and transactions and the interest of CAZ's clients.

**How does CAZ monitor employees' security transactions and prevent conflicts of interest with clients' transactions?**

CAZ's compliance policies and procedures include various measures designed to monitor employees' trading activities and investment holdings. The policy requires that non-exempt trades made by employees or by persons related to CAZ be pre-approved by the designated person responsible for such oversight and review. Transactions exempt from such pre-approval process include trades in investment company securities (e.g., mutual funds) and/or other exempt transactions.

Additionally, the Chief Compliance Officer or his designee is responsible for receiving notice of and reviewing the trades of each employee against their monthly custodial statements. Quarterly reports listing the security traded, the number of shares or units traded, prices, symbols and custodian are reviewed and approved by the Chief Compliance Officer no later than thirty (30) days after the end of the calendar quarter of which the transaction was effected.

Further, CAZ maintains certain policies and procedures concerning the misuse of material non-public information (i.e., "inside information") that are designed to prevent insider trading by any officer, partner, or associated person of CAZ. The policy regarding the prohibited use of material non-public information applies to both CAZ's affiliated parties' accounts and CAZ's clients' accounts.

## Item 12 - Brokerage Practices

---

### Does CAZ recommend clients use any particular brokerage firm?

Although CAZ is not affiliated with any broker-dealer, it does recommend or refer its clients to brokerage firms with which CAZ has a positive, efficient, and professional working relationship. CAZ has a preference that clients utilize a brokerage firm that has an efficient and effective combination of:

- trade execution capabilities;
- back office operation systems and personnel; and
- brokerage commissions and fee schedules consistent with the quality of service CAZ seeks on their behalf.

### What are CAZ's criteria in selecting and recommending brokerage firms?

In evaluating brokerage firms for referral or recommendation for its clients use, CAZ reviews a wide variety of characteristics and capabilities including:

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• <b>Functionality / Capabilities</b><ul style="list-style-type: none"><li>Electronic Brokerage Solutions</li><li>Customer Report Production</li><li>Cost Basis Accounting Capabilities</li><li>Regulatory Compliance Program</li><li>Online access to accounts</li><li>Online access to tax information</li><li>Performance Monitoring</li><li>Proxy Voting</li><li>PrimeBroker / Trade Away Services</li></ul></li><li>• <b>Governance</b><ul style="list-style-type: none"><li>Member of FINRA - Good Standing</li><li>Annual Audit by FINRA</li><li>Private Audit</li></ul></li><li>• <b>Account Protection and Security</b><ul style="list-style-type: none"><li>SIPC Membership</li><li>Private Excess Insurance Coverage</li><li>Fidelity Bond Coverage</li><li>FDIC Insurance on Bank Deposits</li></ul></li></ul> | <ul style="list-style-type: none"><li>• <b>Costs</b><ul style="list-style-type: none"><li><b><i>Large Account Relationships</i></b><ul style="list-style-type: none"><li>Commission Schedule</li><li>Minimum Commission</li><li>PrimeBroker / Trade Away Fee</li></ul></li><li><b><i>Smaller Account Relationships</i></b><ul style="list-style-type: none"><li>Commission Schedule</li><li>Minimum Commission</li><li>PrimeBroker / Trade Away Fee</li><li>Asset Based Fees</li></ul></li></ul></li><li>• <b>Financial Condition of the Firm</b></li><li>• <b>Customer Reporting Practices</b></li><li>• <b>Privacy Policy</b></li><li>• <b>Business Continuity / Disaster Recovery Plan</b></li></ul> |
|--|---|

While many brokerage firms cannot satisfactorily meet each criteria of evaluation, CAZ collectively considers these factors in their totality in evaluating a brokerage firm, its services, and capabilities.

**Does CAZ permit a client to direct brokerage? If so, describe CAZ's practice.**

Yes, clients may direct CAZ to use a specific custodian/brokerage firm for their account.

Clients independently selecting brokerage firms and directing their brokerage business might incur operational limitations or challenges for their account, such as limiting CAZ's ability to:

- negotiate commissions and other fees with the brokerage firm on their behalf - client may pay trading costs that are higher than those obtainable from other brokers;
- batch or group the client's orders with other CAZ's orders for efficient trade execution;
- receive, in some cases, timely execution of trade orders due to order placement practices of the selected brokerage firm; or
- seek best execution services from brokerage firms - best execution services include a combination of varied services received by CAZ from brokerage firms including operational support, investment research.

**How does CAZ determine the reasonableness of brokerage compensation?**

It is CAZ's fiduciary responsibility to seek the most favorable transaction terms available under the circumstances for its clients' account at the time of each trade. In seeking the most favorable transactions, CAZ considers factors in addition to commissions and custodial settlement fees in the pursuit of the best execution of trades. "Best Execution" is the execution of transactions for client accounts in such a manner that the client's total cost or proceeds are the most favorable under the circumstances at the time of the trade. Best Execution does not necessarily mean paying the lowest possible commission or other trade settlement fees

The additional factors and capabilities provided by executing brokerage firms that are considered by CAZ may include the following:

- transaction price and execution, especially with larger trades for multiple clients in batched or blocked orders;
- supplemental investment research;
- investment strategy / allocation research;
- ability to leverage executing brokerage firm's technology;
- confidential executions and client privacy;
- customized trade reporting services / capabilities;
- trading support services;
- efficiency back office capabilities / electronic interfaces with CAZ's systems;
- financial strength / surety provided in trading activity;
- other investment, reporting, or business operational services;
- providing directly to CAZ, or paying a third party for the provision of, certain research materials, data systems, analytical products or services, and other similar products and services used for the benefit of managing a client's investment portfolios; or
- other services provided for the direct or indirect benefit of CAZ, its clients, and / or the client's account.

Therefore, CAZ may pay broker commissions that are higher than another broker might have charged for the same transaction, in recognition of CAZ's assessment of the value of the various value added services listed above. However, when higher commission costs are incurred, CAZ believes that the higher commission costs borne by client accounts are reasonable in relation to the overall services provided. The client account that bears the cost of such a commission for a particular trade will not necessarily be the sole beneficiary of such value added services.

To assist clients in managing and controlling brokerage commission costs associated with portfolio turnover or trading activity, some clients may seek "Asset Based Pricing" arrangements with certain brokerage firms. Asset Based Pricing arrangements are fees charged by the brokerage firm based upon a percentage of the total asset value of the account. Asset Based Pricing fees from various brokerage firms range from 0.15% to 0.25% of the asset value of the account on an annual basis. Asset Based Pricing allows clients to trade as often as desired without incurring commission charges. For certain asset sized accounts and with anticipated portfolio turnover rates, CAZ assists clients in estimating which brokerage compensation arrangement would better serve their needs in managing and controlling such costs and expenses.

Asset Based Pricing arrangements are not offered by all brokerage firms. Brokerage firms that offer Asset Based Pricing arrangements might have certain requirements for an account to qualify for such compensation arrangements.

**Does CAZ receive “soft dollar” benefits? If so, describe this practice.**

Yes, CAZ does engage certain brokerage firms that offer Section 28(e) or “soft dollar” arrangements. “Soft dollar” credits or benefits are provided to CAZ based upon the volume of trades and commissions paid to the brokerage firm.

CAZ also may enter into arrangements with brokers to benefit specific client accounts by:

- having soft dollar credits rebated to the client's account or to have commissions recaptured by the client's account from which the credits or commissions were generated or
- using soft dollar credits to pay expenses otherwise payable by client's account.

Either of such uses of soft dollar credits would have the effect of enhancing the returns associated with such client's account from the returns that would exist absent such uses.

CAZ also engages certain brokerage firms that offer Section 28(e) or “soft dollar” arrangements that CAZ believes provides a benefit to its client base in general. The use of these soft dollar credits by CAZ is restricted to obtaining investment research and other investment decision making products and services selected by CAZ through arrangements provided by the brokerage firm. The costs of those research and other investment decision making services and products are paid as a result of trading activity by client transactions executed at the brokerage firm. Any benefits received from such soft dollar arrangements may benefit clients of CAZ in addition to those clients whose trading activity actually generated the soft dollar credits. As a result of trading with brokerage firms providing soft dollar arrangements, clients might pay higher fees for comparable services as compared to other brokerage firms' fees.

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between CAZ and its clients. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of the clients which paid



the commissions and that may primarily or exclusively benefit CAZ. If CAZ is able to acquire these products and services without expending its own resources (including management fees paid by clients), CAZ's use of soft dollars would tend to increase its profitability. Furthermore, CAZ may have an incentive to select or recommend brokers based on its interest in receiving research or other products or services, rather than on its clients' interest in obtaining the lowest execution prices.

CAZ's soft dollar practices are controlled and monitored by its Brokerage Committee following the firm's internal policies and procedures regarding:

- Selecting brokerage firms to engage in soft dollar trading arrangements;
- Selecting research and other related investment decision making products and services to obtain through soft dollar credit programs; and
- Allocating the cost and expenses of mixed use products and services among either
  - Research and investment decision making products and services vs. non-qualifying products and services, and
  - CAZ's use vs. any affiliated companies' use of such products and services.

Clients may request a summary of CAZ's Section 28(e) or soft dollar program, including a summary of their trade participation and commissions incurred in the program, by requesting a copy from CAZ's Chief Compliance Officer (713.403.8250 or [jchodges@cazinvestmentsl.com](mailto:jchodges@cazinvestmentsl.com)).

### **How are CAZ's "soft dollar" benefits allocated?**

When CAZ engages a brokerage firm to provide a commission recapture for a specific client's benefit, any such credits are allocated specifically to the designated client account.

When CAZ engages a brokerage firm to provide a soft dollar arrangement in general, CAZ believes that any such credits benefit CAZ's entire client base, including client accounts that did not participate in trading activities that generated the soft dollar credits. Any research, investment recommendations, or other investment decision making benefits provided by such soft dollar arrangements may or may not be used by CAZ for any client's benefit, at its sole discretion. As a result of trading with brokerage firms providing soft dollar arrangements, clients might pay higher fees for comparable services as compared to other brokerage firms' fees.

**Does CAZ aggregate the purchase or sale of securities for various client accounts? Please explain this practice.**

Yes, CAZ will often aggregate clients' assets under management when clients retain CAZ to manage multiple portfolios. The aggregation will be done for the determination of investment management fee breakpoints. For the most part, CAZ groups or batches orders for the same security to be executed at a respective brokerage firm into one order prior to placing the trades. On occasions where CAZ receives only partial fills on orders, the trades that were executed are aggregated and average prices are provided to clients on a pro rata basis on the size of the total shares executed. Unfilled shares are carried forward to the next trading day for aggregation, averaging, and allocating to the accounts as indicated.

**Does CAZ allocate batched order transactions?**

Yes, CAZ may group or 'batch' orders to buy or sell the same security for more than one advisory account managed and/or for CAZ's account, or affiliated companies' accounts, or the personal accounts of CAZ's officers, directors, employees or other affiliated persons. CAZ may, but is not under any obligation to, batch or group the transactions.

Generally, once executed, the batched transactions are allocated proportionally to all subject accounts and at the average price received for the batched shares from the executing brokerage firm for the trading day. CAZ may make exceptions to this procedure based upon special portfolio constraints, cash position, client or regulatory restrictions, odd-lot size of an available transaction, brokerage firm or custodian firm restrictions or operating procedures, or other equitable fiduciary reason. When it is not possible to receive the same price or time of execution for all of the securities purchased or sold in a batched order, such batched orders may be executed in one or more transactions at varying prices.

## Item 13 - Review of Accounts

---

### Does CAZ perform periodic client account reviews?

Yes, client accounts are periodically reviewed by various CAZ's employees including traders, Investment Committee members, and relationship managers. That list includes, but not limited to: Christopher Zook, Chairman & CIO; Michael Meagher, Executive Vice President; Casey Hodges, COO & CCO; and Joseph Ceasar, Sr. Investment Analyst.

Importantly, although CAZ develops the client's investment strategy on a customized basis with regard to investment allocations to various asset classes, many asset classes are then managed on a more systematic or standard basis with consistencies of holdings within each asset class. CAZ's monitoring of client holdings is greatly facilitated by the similarity of securities owned within various asset classes across CAZ's client account base.

Additionally, CAZ's has monitoring systems in place to identify accounts that are significantly or materially out of line with either client-stated asset allocations or CAZ's modeled portfolio positions for the respective asset class. Relationship managers are provided with such management reports as needed, but at least on a monthly basis, for their use in monitoring their clients' portfolio's adherence to client-stated asset allocations and CAZ's model portfolios, where applicable. Furthermore, these monitoring reports are reviewed at least quarterly by CAZ's Chief Investment Officer or his designee from the investment management team.

CAZ's Brokerage Committee monitors trade execution results for client accounts to ensure that no client or group of clients are being advantaged or disadvantaged by CAZ's trading practices and procedures, by executing brokerage firm's execution capabilities, or by brokerage firm's commissions or other transactions fees and charges.

Finally, CAZ reviews each account's investment performance relative to CAZ's other similarly-managed accounts with similar investment objectives and management discretion. This performance results monitoring process is intended to ensure clients with similar investment objectives and account terms and conditions are getting similar investment results from CAZ's management process.

**What triggers account reviews?**

Account reviews, in addition to those outlined above, may be undertaken due to:

- Change in market conditions;
- Change of security position(s);
- Request by client for a meeting or the occurrence of such meeting;
- Change in client's investment objective;
- Change of CAZ's internal policies and procedures; or
- Other routine testing requested by CAZ's Chief Investment Officer, relationship managers or compliance officer.

**What is the content and frequency of reports provided to clients?**

Client portfolio reports are available on a daily basis at CAZ's password protected website. Contents published to the client's secured website account include:

- Inventory of investment holdings in their account including:
  - Purchase date
  - Amount of shares / units purchased
  - Cost basis of securities owned
  - Market price and total market value of securities owned as of the close of the previous trade date
- Realized capital gains and loss summary for the year to date.

More formally, CAZ provides a more comprehensive report to clients on a calendar quarter basis and, usually, at periodic account review meetings with clients. Quarterly reports are normally prepared and also published on CAZ's secure, password protected website for client's access, review, download, or printing. Alternatively, clients may request that CAZ provide these reports in hard copy and deliver the reports to them by postal service. Also, clients may request reports from CAZ covering interim reporting periods at any time.

Contents published to the client's secured account in their quarterly reports include:

- Inventory of investment holdings in their account including:
  - Purchase date
  - Amount of shares / units purchased

- Cost basis of securities owned
  - Market price and total market value of securities owned as of the close of the previous trade date
- Securities purchased and sold during the quarter.
- Realized capital gains and loss summary for the year to date.
- Investment performance reports and comparisons to benchmark indices' results.
- Quarterly commentary reviewing investment markets' performance and CAZ's economic and market outlook.

Clients also receive similar reports from their respective custodians or brokerage firms. Such reports are frequently available from their custodian on a daily basis from websites and on a monthly basis. **Clients are strongly encouraged to compare reports presented by CAZ to those reports presented by their custodian firm(s).** Any material differences between the two reports should be discussed with both parties independently until client has received adequate reconciliation and explanation of any material differences in the account statements.

#### **Does CAZ have a privacy policy?**

Yes, CAZ has adopted policies and procedures reasonably designed to protect various records and information of its clients. Except as authorized by each client and/or investor, private information about CAZ's clients is disclosed only as permitted by applicable law to its affiliates and service providers, including its accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation of client accounts. Notice of CAZ's privacy policy is provided on an annual basis to clients and is available to clients upon request.

## **Item 14 - Client Referrals and Other Compensation**

---

### **Does a non-client or non-affiliated company provide CAZ with economic benefits for client advice or advisory services?**

Other than research and investment decision making products and services as discussed in Section “[Does CAZ receive ‘soft dollar’ benefits?](#)” CAZ does not receive economic benefits for client advice or advisory services from a non-client or non-affiliated company source.

### **Does CAZ compensate non-employees for client referrals?**

Yes, CAZ compensates non-employees for soliciting investment advisory clients on behalf of CAZ. Solicitation fees are negotiated on a case by case basis and documented in a written agreement with each solicitor.

CAZ currently has active solicitation agreements with the following entities:

- Happy State Bank & Trust Company (Amarillo, TX)
- Meagher Financial Services (Marietta, GA)

The solicitation agreements (the “Solicitation Agreements”) with Happy State Bank & Trust Company and Meagher Financial Services provide that the Solicitors have agreed, on a non-exclusive basis, to solicit for and refer to CAZ prospective clients. In each case, CAZ has agreed to pay to the Solicitor a portion of any management fees that CAZ receives from the applicable solicited clients. Solicitation fees paid to Solicitors represent no additional expense to the applicable solicited clients.

In addition to the foregoing, CAZ may enter into agreements or arrangements in the future with other persons who solicit clients on behalf of CAZ. For their services, such persons may receive compensation which may be a percentage of the investment management fee paid to CAZ by such clients.

All solicitation arrangements entered into by CAZ are appropriately disclosed to applicable clients and are designed to be in substantial compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

**Does CAZ receive any other forms of compensation or expense reimbursements from client accounts?**

Yes; CAZ Investments may be entitled to reimbursement from the clients for any and all costs and expenses (including taxes) incurred by CAZ as a result of providing its investment advisory services to the client's separately-managed account as provided within the client's investment advisory agreement.

Additionally, CAZ may receive reimbursement of all, or a portion of, costs and expense associate with managing the private funds as provided under the respective private fund's limited partnership agreement. After making a determination of appropriateness and reasonableness of such cost and expense reimbursements and their amounts, CAZ forwards its request to the respective private fund's third-party Administrator for reimbursement consideration and eventual payment, if approved. Such reimbursement of costs and expensive may include, but not necessarily be limited to, costs of operation such as supplies, salaries, employee benefits, telephone, postage, transportation, travel, meals and entertainment, placement fees, marketing costs, office equipment, news wire and data processing charges, legal and accounting fees, office rent and electricity, quotation services and periodical subscription fees, etc. and all other trading related expenses.

## Item 15 - Custody

---

### **Does CAZ maintain custody over client funds and securities?**

CAZ does not serve as the custodian of its clients' SMA assets. Client accounts are maintained, or custodied, at a qualified custodian firm such as a brokerage firm, a bank, or a trust company. In each instance, the custodian provides statements directly to clients, normally on a monthly basis, but at least quarterly. However, many custodians provide secured, password protected Internet website access to clients that provide reporting on a daily basis as of the close of the previous trading day. Custodian statements normally provide an accounting of the investment account's activities and status including all transactions in the account, all assets owned by the account with a fair market value estimate of the assets in inventory as well as other pertinent recordkeeping information. Clients should carefully review these statements.

For our private investment funds, CAZ has custody of clients' assets as the General Partner or Manager of the private funds and their related accounts. These investors receive financial statements from the private funds within 120 days of the fiscal year-end and the private investment funds and related accounts are audited annually by the respective fund's third-party auditing firm.

### **Do clients or investors also receive account statements from CAZ?**

Yes, CAZ also provides statements to clients in addition to those provided by the applicable custodian or private fund third-party Administrator. Please see Section "[What is the content and frequency of reports provided to clients?](#)" for more details.

**Clients are strongly encouraged to compare reports presented by CAZ to those reports presented by their custodian firm or their private fund Administrator.** Any material differences between the two reports should be discussed with both parties independently until client has received adequate reconciliation and explanation of any material differences in the account statements.



## Item 16 - Investment Discretion

---

### What discretionary authority does CAZ have over client investments?

CAZ accepts investment authority to supervise and direct the investments of client's SMA portfolios subject to limitations the client may impose in writing. CAZ, as agent and attorney-in-fact for client's account, without prior consultation with the client, may:

- Direct the purchase, sell, exchange, conversion, and otherwise trade in stocks, bonds and other securities including money market instruments;
- Direct the amount of securities purchased, sold, exchanged, and otherwise traded;
- Place orders for the execution of such securities transactions with a broker dealer or other third party broker/dealers; and
- Determine the commission rates paid. CAZ will allocate brokerage transactions in a manner it believes to be fair and responsible to its clients, and consistent with client objectives.

For private fund investors, CAZ has similar discretionary investment authorities as provided by the respective limited partnership agreement for each fund. Please refer to the respective fund's limited partnership agreement for further details regarding investment authority assigned to CAZ for those funds.

In addition to the investment discretion authority outlined above, CAZ may be assigned by written agreement the authority for other activities such as:

- Invoice and receive payment for CAZ's investment management fees directly from the custodian of the client's investment account;
- Receive and vote proxy statements on behalf of client accounts; and
- Instruct the custodian firm to deliver funds directly to the client via
  - Transfer to another financial institution for the benefit of an account with the same registration and tax identification number;
  - Transfer within the custodial firm for the benefit of an account with the same tax identification number; or
  - Delivery of a check written to the account holder(s) and mailed to the address on record at the custodian firm.

**What is CAZ's procedure before assuming discretionary authority to manage client investments?**

Before assuming account management responsibilities, including discretionary authority over investment decisions, CAZ typically follows the following procedures:

- We develop a general knowledge and understanding of the client, the client's overall financial condition, and general investment goals and objectives;
- We execute a written investment advisory agreement with the SMA client or the subscription agreement and limited partnership agreement for the private fund investor that includes:
  - Contract for investment management services that provides for discretionary authority to make investment decisions for the account
  - Acknowledgement of client's investment objectives, guidelines, and restrictions or limitations, if any, for the account
  - Designation of a custodian or brokerage firm to be used for the SMA client's accounts including the delegation of other authorities, if any, to CAZ
  - Arrangements for SMA portfolio billing procedures that may be different than those outlined in the contract for investment management services
- We conduct a review of the client's SMA investment advisory agreement and investment policy statement with CAZ officials such as its Chief Compliance Officer and other operational and investment personnel;
- We reconcile the client's SMA investment account holdings with the designated custodian firm to ensure the accuracy of the investment inventory for which investment management authority will be exercised; and
- We notify CAZ's Chief Investment Officer and other investment and operational personnel that the client account is ready for trading.

**Does CAZ pursue litigation claims on behalf of its clients?**

CAZ generally does not file claims or otherwise take any action in connection with class action lawsuits, bankruptcy proceedings, or any other legal or administrative proceeding, in any such case on behalf of a client in connection with any client security holding.

**Does CAZ participate in any sponsored Wrap Account Programs for SMA clients?**

CAZ does not serve another financial institution as one of that firm's sponsored "wrap fee program" investment managers. However, on an account-by-account basis, CAZ does accept client accounts referred by brokers or financial planners with an all-inclusive "wrapped fee" being assessed by the broker or the financial planner. In such cases, a portion of that all-inclusive fee is forwarded to CAZ as compensation for its investment management services on the subject account. CAZ generally will manage such accounts in the same manner as its other standard fee-paying accounts.

Similarly, CAZ's clients may engage their respective brokerage firm on an annualized "Asset Based" fee basis. Asset Based fees are paid in lieu of incurring normal brokerage commissions on a trade-by-trade basis. Such brokerage firm compensation arrangements, when available to clients, can assist clients in controlling and managing the brokerage expenses incurred on an annual basis irrespective of the trading activity or portfolio turnover rate of the account.

## Item 17 - Voting Client Securities

---

Except to the extent otherwise required by law, CAZ Investments shall not take any action or render any advice with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held in the clients' accounts. Unless prohibited by law, clients retain the right and obligation to vote proxies relating to the securities held in their accounts; provided, however, that clients may specifically delegate said rights and obligations to a properly authorized agent including CAZ Investments. For ERISA clients and for those cases where CAZ Investments has been specifically delegated the proxy voting authority by the client, written proxy voting guidelines have been established. A copy of the proxy voting policies and procedures is available upon request by contacting our Compliance Manager (713.403.8250 or [ichodges@cazinvestments.com](mailto:ichodges@cazinvestments.com)).

### **When required or accepted by CAZ, how are proxy voting decisions made for client holdings?**

CAZ votes proxies for clients that have provided written delegation of proxy voting authority to us. Written proxy voting guidelines have been established for those clients specifically delegating proxy voting authority to CAZ.

Clients who have different proxy voting philosophies from those generally described below and more fully described in our guidelines should not delegate proxy voting to CAZ. We generally will not accept standing exceptions to our Proxy Voting Guidelines. However, CAZ may accept from clients written directive exceptions to its proxy voting policy on an individual proxy vote basis. Written proxy voting directives should be forwarded to CAZ's Compliance Officer.

CAZ generally will vote proxies according to an approach known as the "Wall Street Rule". This means that CAZ behaves as a passive investor in its portfolio holdings and seeks to maximize shareholder value; but, not necessarily exercises control over the issuers of portfolio securities or advance a particular social agenda. CAZ will therefore vote with management recommendations on most corporate matters. If CAZ is dissatisfied with corporate management, CAZ will generally sell the securities of that corporation. However, CAZ may exercise more independent and critical evaluation of proposals relating to directors', executives' and employees' compensation and benefit programs and vote these items on a case-by-case basis.

CAZ does not render any advice or take any action on behalf of any client with respect to securities or other investments held in their accounts, or the issuer's thereof, which become the subject of any legal proceedings, including bankruptcies. Clients retain the right and obligation to take any action relating to securities held in their accounts.

Clients may request to receive a complete copy of CAZ's Proxy Voting Guidelines and CAZ's actual proxy votes for securities owned in their accounts and voted on their behalf by CAZ. Such client requests should be directed to CAZ's Compliance Officer at (713.403.8250 or [jchodges@cazinvestments.com](mailto:jchodges@cazinvestments.com)).

### **How does CAZ address conflicts of interest in proxy voting?**

CAZ's Chief Investment Officer or his designee reviews each proxy received to assess the extent to which there may be a material conflict of interest between the Company or Employees and clients regarding any proxy voting issues/items.

In the event that a material conflict of interest is perceived, the Chief Investment Officer or his designee will bring the proxy issue to the attention of the Investment Committee and generally will:

- Vote matters that are specifically covered by CAZ's Voting Guidelines (e.g., matters where CAZ's role is strictly in accordance with those Guidelines); and
- For other matters, CAZ will seek advice from independent third-party advisers to review the issues and vote the proxies based upon their determination of what is in the best interest of its clients.

## Item 18 - Financial Information

---

Registered investment advisers, such as CAZ Investments L.P., are required to provide you with certain financial information or disclosures about their financial condition. CAZ Investments L.P.:

- has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and
- has not been the subject of a bankruptcy proceeding.

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, therefore we have no material additional financial disclosures.

## Item 19 - Additional Information

---

### Privacy Notice To Customers

We do not disclose nonpublic personal information about our individual clients or former clients except as permitted by law. We restrict access to nonpublic personal information about you (that we may obtain from your account and your transactions) to those employees who need to know that information to provide products or services to you or to alert you to new, enhanced or improved products or services we provide. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard your nonpublic personal information.

Note that corporate, municipal, and other institutional clients may be identified as such in our firm's representative client or reference lists (the identities of individual, [i.e. "natural person"] clients are never so disclosed absent written client permission).

Clients may request to receive a copy of CAZ's Privacy Pledge and Notification. Such client requests should be directed to CAZ's Compliance Officer at (713.403.8250 or [ichodges@cazinvestments.com](mailto:ichodges@cazinvestments.com)).

### Disaster Recovery and Contingency Planning

As part of its fiduciary duty to its clients and as a matter of best business practices, CAZ Investments, L.P. has adopted policies and procedures for disaster recovery and for continuing the Company's business in the event of a disaster. These policies are designed to allow the Company to resume providing service to its clients in as short a period of time as possible. These policies are, to the extent practicable, designed to address those specific types of disasters that the Company might reasonably face given its business and location. The Company has established written disaster recovery and business continuity plans for the firm's business. The intention of this plan is to allow the Company to meet its responsibilities to clients as a fiduciary in managing client assets, among other things. The written plan is also intended to meet its regulatory requirements in the event of any kind of disaster, such as a bombing, fire, flood, earthquake, power failure or any other event that may disable the firm or prevent access to our office(s).

Clients may request to receive a Summary of CAZ's Disaster Recovery and Business Continuity Plan. Such client requests should be directed to CAZ's Compliance Officer at 713.403.8250 or [jchodges@cazinvestments.com](mailto:jchodges@cazinvestments.com) or by visiting CAZ's website [www.cazinvestments.com](http://www.cazinvestments.com). Furthermore, clients with questions regarding the firm's Disaster Recovery and Business Continuity Plan are welcomed to contact the firm for further discussion.