

**FIRM BROCHURE**  
**FOR**  
**CAI CAPITAL MANAGEMENT, INC.**

A New York corporation

**CONTACT INFORMATION:**

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Part 2A of Form ADV: Firm Brochure  
February 14, 2012

**This brochure provides information about the qualifications and business practices of Cai Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us by telephone at (214) 282-3548 or by email to christopher.wurtz@caicapitalmanagement.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 Cai Capital Management, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Although this document may refer to Cai Capital Management, Inc. as “registered” or a “registered investment adviser,” registration does not imply a certain level of skill or training.**

## **ITEM 2: MATERIAL CHANGES**

This Brochure is Cai Capital's first Form ADV Part 2A submitted to the SEC following its registration under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). If Cai Capital makes any material changes to its Brochure in the future, Cai Capital will revise this section to include a summary of such changes and reference the date of such changes.

### ITEM 3: TABLE OF CONTENTS

	<u>Page</u>
Item 1: Cover Page	1
Item 2: Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	4
Item 6: Performance-Based Fees and Side-by-Side Management	5
Item 7: Types of Clients	6
Item 8: Method of Analysis, Investment Strategies and Risk of Loss	6
Item 9: Disciplinary Information	11
Item 10: Other Financial Industry Activities and Affiliations	11
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12: Brokerage Practices	13
Item 13: Review of Accounts	14
Item 14: Client Referrals and other Compensation	15
Item 15: Custody	15
Item 16: Investment Discretion	15
Item 17: Voting Client Securities	16
Item 18: Financial Information	16
Item 19: Requirements for State-Registered Investment Advisers	16

#### **ITEM 4: ADVISORY BUSINESS**

Cai Capital Management, Inc. (“Cai Capital”) is a New York corporation formed in July 2011 with its principal place of business located at 600 Third Avenue, 2nd Fl., New York, New York 10016. The principal owners of Cai Capital are Mr. Christopher Wurtz and Mr. Niandong Liu who together have the overall responsibility for the day-to-day supervision and management of Cai Capital’s business.

At this time, Cai Capital provides investment advice solely to one managed account (the “Managed Account”) that was established by an unaffiliated private investment fund. Cai Capital provides its services to the Managed Account in accordance with an investment management agreement between Cai Capital and its client. Cai Capital may establish additional managed accounts or may develop and sponsor one or more private investment funds in the future.

Cai Capital directs the investment program of the Managed Account on a discretionary basis using a market-neutral, proprietary “quantitative” trading model, as described in *Item 8: Method of Analysis, Investment Strategies and Risk of Loss*. The strategy focuses on trading a wide number of liquid equity securities that trade on established U.S. markets.

Cai Capital provides portfolio advisory and management services to the Managed Account based on the investment objectives of the private investment fund that established the account and not based on the criteria or investment objective of any individual client of that private investment fund.

Cai Capital does not participate in wrap fee programs.

As of February 1, 2012, Cai Capital has approximately \$150,000,000 of regulatory assets under its management in the Managed Account all of which is managed on a discretionary basis. Cai Capital does not manage any assets on a non-discretionary basis.

#### **ITEM 5: FEES AND COMPENSATION**

Cai Capital generally charges fees for its services on a negotiated basis with each client. Fees typically are based on a management fee of an agreed percentage of net assets under management which is payable on a quarterly basis. Additionally, fees generally include a performance-based fee in the amount of an agreed percentage of all capital appreciation in the Managed Account for an annual period, subject to a “high water mark”. The performance-based fee is more fully described in *Item 6: Performance-Based Fees and Side-by-Side Management*.

Under the terms of its investment management agreement with any particular advisory client, Cai Capital typically bills the client for any fees it is due which are paid by the client either outside of the account or through authorization to deduct the fee from the managed account. No portion of any pre-paid management fee is refundable to a client if the client closes the account

or withdraws funds during a calendar quarter or other agreed period. Cai Capital does not impose any redemption fees or account closing fees on any clients.

Through its managed account, each client pays for all costs and expenses directly related to investment transactions, including brokerage commissions (*see Item 12: Brokerage Practices*), interest expenses and custody and transfer fees. Cai Capital typically pays for its own direct operating expenses including rent, costs of administrative personnel, database subscriptions, research costs, and travel and entertainment costs, without reimbursement from any managed account.

Neither Cai Capital nor its principals, its executive officers or employees accepts commissions or other compensation for the referral of new clients, the establishment of managed accounts or in connection with the purchase or sale of any securities for any client accounts.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Cai Capital typically charges a non-refundable performance-based fee (the “Performance-Based Fee”) to clients who meet the requirements of “qualified clients” under the Advisers Act. The Performance-Based Fee is payable at the beginning of each established period (the “Performance Period”) based upon performance in the prior Performance Period and is equal to a negotiated percentage of the Net Profits (as defined below) of the client account for the period. The Performance-Based Fee is subject to a “high water mark” so that Cai Capital is only entitled to receive the Performance-Based Fee from any Client if profits for that Performance Period are sufficient to recoup all prior trading losses in the client’s account, thus surpassing the previous “high water mark.” For any Performance Period in which the client account has a Net Loss, such amount is carried forward and no Performance-Based Fee is payable with respect to the client account unless and until the Net Losses of such account are recovered by subsequent Net Profits. If a client makes a withdrawal during a Performance Period, Cai Capital calculates the Net Profits on a prorated basis and charges the Performance-Based Fee on the date of withdrawal.

In general and subject to the specific definitions in any client’s particular investment management agreement, the term “Net Profits” means the positive amount equal to, and the term “Net Losses” means the negative amount equal to: (a) the Net Asset Value (defined below) of the client account as of the last business day of the Performance Period (after reduction for any management fee payable and before reduction for any Performance-Based Fee payable as of the end of such Performance Period), plus (b) the value of all withdrawals made during such Performance Period (except for such withdrawals made for the purpose of paying Management Fees), minus (c) the Net Asset Value of the client account as of the beginning of the Performance Period (or in the case of the first Performance Period, the date on which the client account was funded), and minus (d) the value of all additional capital contributions to the client account made during such Performance Period. The term “Net Asset Value” means the total of the fair market values of each of the assets in the client account minus the total of the fair market values of each of the liabilities of the client account as of such date based upon the valuation. The term “valuation” means the fair market value of any security as provided in the applicable account brokerage statement as generated by the custodian of the client account.

Although Cai Capital has the authority to manage the accounts of other clients and to establish one or more private investment funds, it does not currently manage any client accounts other than the Managed Account. If additional clients were to be accepted in the future, they would also be subject to paying a Performance-Based Fee. Accordingly, Cai Capital is not currently subject to any conflict of interest that could otherwise be present if some clients were charged a Performance-Based Fee and others were not. In the event Cai Capital was to perform advisory services for other advisory clients, it would perform its responsibilities in accordance with its fiduciary duties and not allow any potential conflicts to influence that performance. Allocations between accounts would be allocated on a pro rata basis based on assets under management or in some other manner as Cai Capital would determine to be fair and equitable under the circumstances.

## **ITEM 7: TYPES OF CLIENTS**

Cai Capital provides portfolio advisory and management services to the sophisticated Managed Account based on the investment objectives of the private investment fund that established the account and not based on the criteria or investment objective of any individual client of that private investment fund. Cai Capital may establish additional managed accounts or may develop and sponsor one or more private investment funds in the future. Cai Capital has no established minimum account size for clients or client accounts, although its clients would typically be sophisticated institutional investors, high net worth individuals or family offices.

## **ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### Investment Strategy

Cai Capital's investment objective is to maximize absolute returns for its clients through a long-short equity investment program that utilizes a proprietary quantitative model to systematically select investments positions and their relative weighting in a client's account. The resultant portfolio is then evaluated and monitored by Cai Capital's principals who have the ability to override the program on a real time basis which they may do on a selective and infrequent basis based on market developments. The technical analysis that Cai Capital employs through its model focuses on price and return patterns, trading liquidity and trading volume. The model incorporates the use of proprietary software and customized proprietary algorithms in an attempt to capture mean-reversion and momentum opportunities and to size positions accordingly. The model is not in the nature of a high frequency trading system which has recently become popular in the quantitative investment field.

The strategy focuses on trading a wide number of liquid equity securities that trade on established U.S. markets. The portfolio is designed to be market neutral within a narrow range on either the long or short side in an effort to generate consistently attractive risk-adjusted returns during rising, falling and sideways markets. The model does not enter trades in options, derivatives or futures contracts. Individual clients may also instruct Cai Capital to impose specific limits on the types or amounts of securities or other instruments in which to may invest,

the concentration of investments in the client account (whether by sector, industry, asset class or otherwise) or the amount of leverage that may be employed.

Cai Capital's principals have developed and refined the model over several years of live trading using actual capital. In other words, the model is not a computer simulation but has been employed in managing funded investment portfolios. The model is continually monitored, refined and updated. Depending on conditions and trends in the financial markets, Cai Capital reserves the right to pursue other strategies or employ other techniques that is considers appropriate and in the best interests of its clients. Cai Capital also continues to develop additional strategies from time to time through in-house research and development, and may implement its trading models and technologies in different markets.

Cai Capital is of the view that investors are best served by utilizing a systematic and quantitative platform that will do most of the work to construct and manage the client's investment portfolio. By focusing on statistical accuracy, discipline, and consistent implementation, Cai Capital seeks to minimize risk and implementation error which has negatively impacted many otherwise solid strategies.

The investment strategy involves active trading and it is expected that a client's portfolio will turnover many times during the course of each year. The portfolio is not managed with a view toward tax efficiency and it is expected that trading profits will be substantially all short term capital gains which are currently taxed at rates equivalent to ordinary income.

## **Material Risks for Clients to Consider**

Investing with Cai Capital involves a high degree of risk for the client and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences, and the risks associated with the investment strategy. There can be no assurance that Cai Capital's investment program will be profitable or that any particular client will not incur losses in its account. The material risks include the limited trading history of the model, the risk that the model may be based on assumptions and premises that will not prove to be correct over any particular market cycle or in the long term, the unpredictability of financial markets and investor reactions to significant market events and the risk of technological glitches in the model and hardware or software systems failures.

### **Systems and Operations Risk**

Cai Capital has developed a quantitative model that incorporates assumptions based upon variables abstracted from complex financial markets or instruments. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. The outputs of its model may differ substantially from the reality of the markets, resulting in major losses. Cai Capital relies on computer programs and systems to trade, clear and settle securities transactions, to evaluate certain investments based on real-time trading information, to monitor its portfolio and to generate risk management and other reports that are critical to oversight of its activities. In addition, certain of the Cai Capital's operations interface with or

depend on systems operated by third parties, including custodians, prime brokers and other service providers. Cai Capital may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses and power failures. Any such defect or failure could have a material adverse effect on the performance of Cai Capital's client accounts. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect Cai Capital's ability to monitor its client portfolios and risks and may cause client accounts to suffer losses.

#### Trading Decisions Based on Technical Analysis

Many of the trading decisions made by Cai Capital on behalf of client accounts will be based on technical, rather than fundamental, analysis. The best trading method or strategy, whether based on technical and/or fundamental analysis, will not be profitable if there are not price moves or trends of the kind the trading method or strategy seeks to identify and follow. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Any factor which would lessen the prospect of major trends occurring in the future may reduce the prospect that a particular trading method or strategy, whether technical and/or fundamental, will be profitable in the future. Moreover, any factor which would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. No assurance can be given that Cai Capital's strategies will be successful under all or any market conditions.

A limiting factor in the use of technical analysis is that such an approach requires price movement data that can be translated into price patterns sufficient to dictate a market entry or exit decision. Any trading method that is based upon such technical concepts may inaccurately forecast price patterns, which may result in losses.

#### Increased Use of Trend-Following and Counter-trend Systems

Trading systems that employ trend-following timing signals and systems that employ counter-trend techniques have increased in use in recent years. With respect to trend-following systems, while the precise effect of such increase cannot be determined, such increase could alter trading patterns or affect trade execution to the detriment of client accounts. As to counter-trend systems (or other systems that attempt to profit from the wide use of trend-following systems by running stop points or otherwise), their effect is even harder to determine, but such increase could also alter trading patterns to the detriment of client accounts.

#### Use of Leverage

Depending on the specific arrangement with each client, Cai Capital may use leverage which would result in a client account controlling substantially more assets than the amount of equity in the account. Leverage increases the returns if the client account earns a greater return on investments purchased with borrowed funds than the cost of borrowing such funds. However, the



use of leverage would expose the client's account to additional levels of risk, including (i) greater losses from investments than if client account had not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the assets in a client account, Cai Capital might not be able to liquidate assets quickly enough to repay the borrowings, further magnifying the losses.

### Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the performance of client accounts. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

### Portfolio Turnover

Cai Capital's investment strategy typically involves active trading in client accounts, and as a result, turnover and brokerage commission expenses incurred by clients may significantly exceed those incurred in other types of investment strategies.

### Risk Control Framework

No risk control system is fail-safe, and no assurance can be given that any risk control framework employed by Cai Capital will achieve its objective. Target risk limits developed by Cai Capital may be based upon historical trading patterns for the securities and financial instruments in which it invests. No assurance can be given that such historical trading patterns will accurately predict future trading patterns.

### Brokerage and Custodial Risk

There are risks involved in dealing with the custodians or prime brokers who settle trades for client accounts. Cai Capital may maintain custody accounts with various custodians. There is no guarantee that any custodian that Cai Capital may use from time to time will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of client account assets, losses would not be incurred due to assets being unavailable for a period of time, the ultimate receipt of less than full recovery of client account assets, or both.

### Performance-Based Fees

Payment by client accounts of a Performance-Based Fee to Cai Capital in the form of a percentage of net profits may create an incentive for Cai Capital to cause clients to make

investments that are riskier or more speculative than would be the case in the absence of this type of fee. Since Performance-Based Fees are calculated on a basis that includes unrealized appreciation of assets, such allocation may be greater than if it were based solely on realized gains.

#### Unrelated Business Taxable Income for Certain Tax-Exempt Investors

Pension and profit-sharing plans, Keogh plans, individual retirement accounts and other tax-exempt clients may realize “unrelated business taxable income” as a result of an investment since Cai Capital may employ leverage in their Accounts. Any tax-exempt client should consult its own tax adviser with respect to the effect of an investment on its own tax situation.

#### Limited Operating History

Cai Capital is a recently formed entity and has only a limited operating history upon which clients can evaluate its performance. Accordingly, an investment with Cai Capital entails a significant degree of risk.

#### Reliance on Christopher Wurtz

Cai Capital relies heavily on the services of its President and Chief Compliance Officer, Christopher Wurtz. Mr. Wurtz is responsible for all of the major decisions affecting Cai Capital and owns all of the intellectual property rights relating to the proprietary software and algorithms used in Cai Capital’s investment program. Should Mr. Wurtz discontinue managing the affairs of Cai Capital or withdraw from Cai Capital, or should Mr. Wurtz die, be incapacitated or be unable to effectively manage the affairs of Cai Capital for some other reason, the performance of client accounts may be adversely affected.

#### Business and Regulatory Risks

The regulatory environment is evolving, and changes in the regulation of investment advisers may adversely affect the value of investments in client accounts and the ability of client accounts to obtain the leverage they might otherwise obtain or to pursue Cai Capital’s trading strategies. In addition, securities markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future regulatory change on client accounts could be substantial and adverse.

#### Potential Conflicts of Interest

Cai Capital will use its best efforts in connection with the purposes and objectives of managing its client accounts and will devote so much of its time and effort to the affairs of its advisory clients as may, in its judgment, be necessary to accomplish the purposes outlined above. However, Cai Capital and its officers, employees, agents and affiliates (hereinafter referred to as the “Affiliated Parties”) may conduct any other business, including any business within the securities industry, whether or not such business is in competition with Cai Capital. Without limiting the generality of the foregoing, the Affiliated Parties may act as general partner,

investment adviser or investment manager for others, may manage funds, separate accounts or capital for others, may have, make and maintain investments in their own name or through other entities and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. Such other entities or accounts may have investment objectives or may implement investment strategies similar or different to those of Cai Capital. In addition, the Affiliated Parties may, through other investments, including other investment funds, have interests in the securities in which client accounts may invest as well as interests in investments in which client accounts do not invest. The Affiliated Parties may give advice or take action with respect to such other entities or accounts that differs from the advice given with respect to client accounts. To the extent a particular investment is suitable for both one or more client accounts and other clients of the Affiliated Parties, such investments will be allocated between client accounts and the other clients pro rata based on assets under management or in some other manner that the Affiliated Parties determine is fair and equitable under the circumstances to all clients, including the client accounts.

As a result of the foregoing, the Affiliated Parties may have conflicts of interest in allocating their time and activities between managing client accounts and other entities, in allocating investments among client accounts and other entities and in effecting transactions for client accounts and other entities, including ones in which the Affiliated Parties may have a greater financial interest.

#### **ITEM 9: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to any client's or prospective client's evaluation of Cai Capital's advisory business or the integrity of its management.

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

Neither Cai Capital, nor its principal or any executive officer is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor or an associated person of any of the foregoing entities.

Neither Cai Capital, nor its principals or any executive officer has any relationship or arrangement with a related person that is material to its advisory business or its clients or could create a material conflict of interest with clients.

As discussed more fully in Item 8 above, Cai Capital and its Affiliated Parties are required to devote only so much of their time to the affairs of client accounts as they reasonably believe is necessary in good faith. Such persons are not prohibited from engaging in any other existing or future business or in other investment activities subject to the exercise of their fiduciary duty to all clients.

Neither Cai Capital, nor its principals, recommends or selects other investment advisers for any of its advisory clients.

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

Cai Capital has adopted a written code of ethics (“Code of Ethics” or “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act, which requires that investment advisers adopt a code of ethics setting forth standards of business conduct and compliance with federal securities laws by all employees. Cai Capital has several goals in adopting this Code. Cai Capital desires to comply with all applicable laws and regulations governing its business and practices. Also, the management of Cai Capital has determined to set forth guidelines for professional standards under which all persons associated with Cai Capital are to conduct themselves. Cai Capital has set high standards, the intention of which is to protect its Clients’ interests at all times and to demonstrate Cai Capital’s commitment to its fiduciary duties of honesty, good faith and fair dealing with its Clients. All associated persons are expected to adhere strictly to these guidelines, as well as the procedures for approval and reporting established in the Code of Ethics primarily related to personal securities transactions and violations of the Code. In addition, Cai Capital maintains and enforces written policies reasonably designed to prevent the misuse of material nonpublic information by Cai Capital or any person associated with Cai Capital.

Cai Capital will provide a copy of its Code of Ethics upon request to Christopher Wurtz, its President and Chief Compliance Officer, at (214) 282-3548.

## **ITEM 12: BROKERAGE PRACTICES**

Cai Capital executes, clears and settles its securities transactions through qualified financial institutions which are registered as broker-dealers under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”).

With respect to certain client accounts, Cai Capital may have complete discretion in choosing brokers, dealers, banks, market-makers and other execution services (collectively “broker dealers”) in executing trades for a client account. Other times, the client will direct that Cai Capital establish an account with a particular custodian and direct trading through brokers of the client’s choosing (as discussed more fully under “Directed Brokerage” below). Where Cai Capital is selecting brokers for a client’s account it is serving as a fiduciary. As such it has a duty to seek “best execution” on all securities transactions effected for the client account and it seeks to negotiate and obtain the most favorable net price and terms for each transaction reasonably available under the circumstances. Cai Capital will attempt to complete investment transactions at the best net price, considering all relevant circumstances and factors including the availability of securities in the marketplace, market impact as a result of the bidding or offering process and quality of a broker dealer’s services.

Cai Capital periodically evaluates the quality of services received from broker-dealers that it selects for client accounts. In order to satisfy Cai Capital’s fiduciary obligations, Cai Capital must consider the full range of factors and quality of a broker-dealer’s services, including Cai Capital’s ability to obtain a favorable best price and the ability to effect securities transactions, particularly with regard to: (i) historical net prices on other transactions; (ii) the execution, clearance, and settlement and error-correction capabilities of the broker-dealer; (iii) the broker-dealer’s willingness to commit capital; (iv) the broker-dealer’s reliability and financial stability; (v) transaction size; (vi) availability of securities to borrow for short sales; and (vii) the market for the security or financial instrument. Cai Capital does not have any soft dollar arrangements with any broker.

### **Brokerage for Client Referrals**

Although it has no such arrangements at present, Cai Capital also may direct transactions to broker-dealers which refer clients to Cai Capital. If Cai Capital uses a broker that has referred a client, or may refer clients, Cai Capital has a potential conflict of interest between its duty to obtain best execution for its clients and its interest in receiving future referrals. Commission rates charged by brokers that refer clients to Cai Capital may be higher or lower than the commission rates charged by other brokers that Cai Capital uses. Cai Capital will only direct transactions to a broker-dealer that has referred or may refer clients if Cai Capital determines in good faith that the commissions charged by that broker are not materially higher than those of others offering equivalent services.

### Directed Brokerage

Clients who designate the broker through whom their account will execute trades (a “Directed Broker”) must identify the Directed Broker and inform Cai Capital whether the Directed Broker will also act as the custodian for the account. Clients that choose a Directed Broker are generally required to acknowledge and represent, in the Investment Management Agreement, that:

(a) when possible, Cai Capital may aggregate (block) certain transactions for the account with transactions in the same security entered on behalf of some of Cai Capital’s other clients on the same day with this Directed Broker; however, Cai Capital may not be able to aggregate trades for the account with those of Cai Capital’s Discretionary Broker clients, or obtain commission rates and/or receive comparable services which may be obtained from brokers which Cai Capital recommends;

(b) the price the account pays or receives for a security may be different from the price paid or received by Cai Capital’s other clients who utilize a different broker, which may not constitute best execution;

(c) if the Directed Broker declines or is unable to execute a specific transaction, Cai Capital will assume (for such trades only) the discretionary authority to execute the trade at another broker-dealer; and

(d) the Client has determined that in view of the services being provided by the Directed Broker, the direction of the Account’s brokerage to the Directed Broker, the brokerage commission rate determined by the Client and the Directed Broker, and other services provided by the Directed Broker are in the best interests of its account.

### Aggregating Orders

The Managed Account is the only account for which Cai Capital currently provides investment advice, so it is not in a position to aggregate orders for various accounts at this time.

## **ITEM 13: REVIEW OF ACCOUNTS**

Christopher Wurtz, the managing member of Cai Capital and portfolio manager of the Managed Account, reviews the investment strategies and portfolio decisions of the Managed Account on an ongoing basis.

Cai Capital or the custodian of a client account provides a written account statement or report to the client on a periodic basis, at least monthly, depending on the terms negotiated between the specific client and Cai Capital. The reports include the performance of the account along with other information as agreed by Cai Capital and the client. The client is encouraged to review all account statements for accuracy.

Cai Capital maintains appropriate records regarding its activities consistent with its duties under applicable laws and regulations and sufficient to accurately detail and evidence all such activities with respect to its client accounts. Cai Capital shall make any and all such records available to any client upon request. Cai Capital is in no event responsible for the accuracy of information furnished by any client, custodian or any other third party or the accuracy of any record or report or the result of any action taken based on inaccurate information provided by any such third party.

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

No third parties pay Cai Capital or provide other economic benefits for providing investment advice or other advisory services to Cai Capital or its client accounts.

Although Cai Capital has not done so in the past, it may find clients through broker-dealers, placement agents and other persons (“third-party marketers”). In this case, Cai Capital may pay a solicitor’s fee or commission in connection with these activities, including ongoing payments, at Cai Capital’s own expense. Payments by Cai Capital may include participation in management fees or Performance-Based Fees otherwise payable to Cai Capital. It is intended that all payments to be made to third-party marketers would be in compliance with the requirements of the solicitors rule, SEC rule 206(4)-3 under the Advisers Act.

#### **ITEM 15: CUSTODY**

Cai Capital does not serve as custodian of any client funds or securities and its client do not surrender ownership of any cash or securities comprising the assets in their accounts. Cai Capital may not remove any cash or securities from a client account. Client assets subject to Cai Capital’s supervision will normally be maintained in street name in client’s custody with the custodian and/or broker-dealer selected by the Client and set forth in their investment management agreement or elsewhere. Clients should carefully review account statements received from the broker-dealer, bank, or other qualified custodian.

#### **ITEM 16: INVESTMENT DISCRETION**

Clients grant Cai Capital full discretionary authority to manage their account and its investments. In its investment management agreement, each client generally grants Cai Capital a limited power of attorney and expressly authorizes Cai Capital to make, order and direct any and all transactions involving the assets for the client account. Accordingly, Cai Capital is authorized to perform various functions, at each client’s expense, without further approval from the client. Such functions include the determination of securities to be purchased/sold, the amount of securities to be purchased/sold and the prices to be paid or received in connection with such transactions.

### **ITEM 17: VOTING CLIENT SECURITIES**

Cai Capital's systematic quantitative equity trading strategies involve high turnover of individual securities. This high turnover and the volume of securities would make voting proxies a costly procedure which would be of little practical benefit to Cai Capital's clients. Accordingly, Cai Capital has determined not to vote proxies. All inquiries regarding Cai Capital's proxy voting policy should be directed to Mr. Christopher Wurtz, the President and Chief Compliance Officer of Cai Capital, at (214) 282-3548.

### **ITEM 18: FINANCIAL INFORMATION**

Cai Capital does not require or solicit prepayment of fees by clients six or more months in advance and is therefore not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

### **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED INVESTMENT ADVISERS**

All sections of this Item are not applicable because they pertain to state-registered investment advisers, and Cai Capital is a federally registered investment adviser.