

Firm Brochure

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Krohne Capital, LLC. If you have any questions about the contents of this brochure, please contact us at: 858 454 5789, or by email at: axel@krohnecapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Krohne Capital is available on the SEC's website at www.adviserinfo.sec.gov

February 03, 2011

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 858 454 5789 or by email at: axel@krohnecapital.com.

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Advisory Business

Firm Description

Krohne Capital, LLC was founded in 2004.

Krohne Capital, LLC is in the business of managing one limited partnership: Krohne Fund, LP.

Principal Owners

Axel Krohne is a 100% stockholder.

Types of Advisory Services

Krohne Capital provides investment supervisory services, also known as asset management services to Krohne Fund.

As of December 31, 2011 Krohne Capital manages approximately \$28 million in assets for Krohne Fund. All of it is managed on a discretionary basis.

Types of Agreements

The following agreements define the typical client relationships. Limited Partnership Agreement.

Hourly Planning Engagements

Krohne Capital provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$500.

Asset Management

Assets are invested primarily in stocks, many of them listed on foreign exchanges.

Investments may also include: warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Fees and Compensation

Description

Krohne Capital bases its performance allocation based on the profits generated. The performance allocation is subject to a high water mark and hurdle rate.

Fee Billing

If applicable the performance allocation is charged annually in arrears, meaning that we charge Krohne Fund after the twelve-month billing period has ended. Details on this can be found in the LP agreement.

Other Fees

Custodians charge custody and transaction fees on purchases or sales of securities. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Types of Clients

Description

Krohne Capital LLC provides investment advice to Krohne Fund.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Investment Strategies

The primary investment strategy is the buying and holding of growing companies that trade at low valuations. Portfolios are globally diversified to take advantage of opportunities in any market.

Other strategies may include short-term purchases, trading, short sales, margin transactions, and option writing and selling (including covered options, uncovered options or spreading strategies) and futures.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on

existing bonds become less attractive, causing their market values to decline.

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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

Code of Ethics

Axel Krohne of Krohne Capital has committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

Krohne Capital and its employee may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Krohne Capital *Compliance Manual*.

Personal Trading

The Chief Compliance Officer of Krohne Capital is Axel Krohne. He does not trade stocks in any significant way. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that Krohne Fund receives preferential treatment.

Brokerage Practices

Selecting Brokerage Firms

Krohne Capital does not have any affiliation with product sales firms. Specific custodians are selected based on their need for such services. Krohne Capital selects custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

Krohne Capital does not receive fees or commissions from any of these arrangements.

Best Execution

Krohne Capital reviews the execution of trades at each custodian. The review is documented in the Krohne Capital *Compliance Manual*. Trading fees charged by the custodians is also reviewed. Krohne Capital does not receive any portion of the trading fees.

Client Referrals and Other Compensation

Referrals Out

Krohne Capital does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Other Compensation

None

Investment Discretion

Discretionary Authority for Trading

Krohne Capital accepts discretionary authority to manage securities accounts on behalf of Krohne Fund. Krohne Capital has the authority to determine the securities to be bought or sold, and the amount of the securities to be bought or sold.

Voting Client Securities

Proxy Votes

Krohne Capital does not vote proxies on securities.

Financial Information

Financial Condition

Krohne Capital does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

Krohne Fund is audited annually by an accounting firm which is currently Rothstein Kass.

Business Continuity Plan

General

Krohne Capital has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Business Continuity Plan covers natural disasters. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event,

communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Alternate Offices

Alternate office is identified to support ongoing operations in the event the main office is unavailable.

Information Security Program

Privacy Notice

Krohne Capital is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances.

We disclose limited information to our accountants.

We maintain a secure office to ensure that your information is not placed at unreasonable risk.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including regulators and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

The Brochure Supplement (Part 2B of Form ADV) contains the biographies of the advisor in the firm.

Brochure Supplement (Part 2B of Form ADV)

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

EMPLOYEE Axel Krohne, CFA

Educational Background:

- Date of birth: 07.17.1971
- Institutions (1994). Bachelor Degree in Engineering FH Giessen (Germany)

Business Experience:

- List here in detail. 1997-2003 Financial Advisor Morgan Stanley
2004- present Managing Member at Krohne Capital, LLC)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None