



**Racon Capital Partners LLC**

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**Racon Capital Partners LLC**

234 W. Florida St. Suite 700

Milwaukee, WI 53204

Tel: 414-877-1270

Fax: 414-877-1290

Website: [www.raconcapital.com](http://www.raconcapital.com)

**This *brochure* provides information about the qualifications and business practices of Racon Capital Partners LLC ("Racon" or the "Adviser"), an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). If you have any questions about the contents of this *brochure*, please contact us at 414-877-1270. This information has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any *state securities authority*.**

**Additional information about Racon Capital Partners also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC or with any *state securities authority* does not imply a certain level of skill or training.**

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#### Item 4. Advisory Business

**A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

Racon Capital Partners LLC (hereinafter referred to as “Racon Capital” or the “Adviser”) was formed in 2012. The Adviser’s *principal place of business* is located in Milwaukee, Wisconsin. The Adviser plans to commence investment operations in the first quarter of 2013. The Adviser is wholly-owned by Michael Keough.

**B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

Racon Capital provides discretionary portfolio management services to private investment funds (each individually referred to as a “Fund” or collectively the “Funds”), including Racon Partners L.P. (the “U.S. Fund” or “U.S. Feeder”), Racon Fund Ltd. (the “Offshore Fund” or “Offshore Feeder”) and Racon Master Fund Ltd. (the “Offshore Master Fund” or “Master Fund”) (the Offshore Feeder and Master Fund may be collectively referred to herein as the “Offshore Funds”). In its capacity as investment manager of the Funds (each Fund also referred to herein as a *client* or multiple Funds referred to as *clients*), Racon Capital has investment discretion over the Funds’ assets. In addition, Racon may also provide discretionary investment advisory services to separately managed accounts.

**C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of *clients*. Explain whether *clients* may impose restrictions on investing in certain securities or types of securities.**

The Adviser provides advice to the Funds based on the specific investment objectives and strategies set forth in each Fund’s respective offering documents. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of *clients*.

**D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

Not Applicable.

**E. If you manage *client* assets, disclose the amount of *client* assets you manage on a *discretionary basis* and the amount of *client* assets you manage on a *non-discretionary basis*. Disclose the date “as of” which you calculated the amounts.**

As of January 15, 2013, the Adviser had approximately \$0.00 in *client* assets under management. As of that date, the Adviser managed \$0.00 on a *discretionary basis*. The Adviser does not manage any assets on a *non-discretionary basis*.

## Item 5. Fees and Compensation

**A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

### Asset-Based Compensation

The Adviser charges each *client* an investment management fee based on the value of the *client's* assets under management. The Adviser does not have a formal fee schedule and fee structures may vary based on the share class into which each *client* invests, which applicable fees are set forth in detail in each Fund's respective offering documents (including supplements thereto). Typically, investment management fees range from 1.00% - 2.00% per annum.

Investment management fees are *charged* each quarter in advance based on the total market value of the assets in the *client* account (including net unrealized appreciation or depreciation of investments and cash). Investment management fees are prorated for any period that is less than a full quarter and adjusted for subscriptions and redemptions occurring during the quarter.

### Performance-Based Compensation

The Adviser may also be paid a *performance-based fee*, which is compensation that is based on a share of capital gains on or capital appreciation of the assets in a *client* account. This compensation may be paid to the Adviser or to a *related person* of the Adviser and range from 17.5 - 20% (the "Incentive Allocation"). The Incentive Allocation calculation will be subject to a loss carry-forward (often referred to as a high-water mark).

**B. Describe whether you deduct fees from *clients'* assets or bill *clients* for fees incurred. If *clients* may select either method, disclose this fact. Explain how often you bill *clients* or deduct your fees.**

The Adviser (or a *related person* as may be applicable in the case of *performance-based fees*) deducts the fees from *client* accounts through coordination with the *client's* administrator.

**C. Describe any other types of fees or expenses *clients* may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that *clients* will incur brokerage and other transaction costs, and direct *clients* to the section(s) of your *brochure* that discuss brokerage.**

As more fully disclosed in each Fund's offering documents, *client* accounts will also be subject to other investment and operational expenses such as legal expenses; organizational expenses; administrator expenses; audit and accounting expenses; compliance expenses; shareholder proxy voting services; organizational expenses; investment expenses such as commissions, research fees and expenses; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; insurance costs; directors' fees and expenses; and other expenses reasonably related to the purchase, sale or transmittal of Fund assets.

**D. If your *clients* either may or must pay your fees in advance, disclose this fact. Explain how a *client* may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

*Clients* invested in the Funds pay investment management fees quarterly in advance. However, Investment management fees are prorated for any period that is less than a full quarter and adjusted for subscriptions and redemptions occurring during the quarter.

**E. If you or any of your *supervised persons* accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual Fund(s), disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

Not Applicable.

#### Item 6. *Performance-based fees and Side-by-Side Management*

If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are *charged a performance-based fee* and accounts that are *charged* another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a performance- based fee, and describe generally how you address these conflicts.

The Adviser and its investment *personnel* provide investment management services to the Funds. Pursuant to the relevant Fund offering documents, the Adviser is entitled to be paid performance-based compensation by its *clients*. In addition, the Adviser's investment *personnel* are typically compensated on a basis that includes a performance-based component. At this time, the Adviser manages only one fund-structure with the primary trading fund being the Master Fund, and as such, does not have conflicts of interest associated with multiple accounts.

## Item 7. Types of *Clients*

**Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

The Adviser's *clients* may consist of individuals, banks, thrift institutions, investment companies, private funds, pensions, profit sharing plans, trusts, estates, charitable organizations, corporations or other business entities. Each of the Funds is exempt from the definition of an investment company under the Investment Company Act and therefore not required to be registered under the Investment Company Act. Interests in the U.S. Fund are offered on a private placement basis pursuant to Regulation D under the Securities Act of 1933 (the "1933 Act") to *persons* who are "accredited investors" as defined under the 1933 Act and typically only to "qualified purchasers" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940 (the "Investment Company Act"), and subject to certain other conditions which are set forth in the offering documents for the U.S. Fund. Pursuant to Sections 3(c)(1) and 3(c)(7) of the Investment Company Act, the U.S. Fund is exempt from the definition of an "investment company" and therefore need not register as investment companies under the Investment Company Act. Shares in the Offshore Fund are offered to *persons* who are not "U.S. Persons," as defined under Regulation S of the 1933 Act, and to U.S. tax-exempt entities which are "accredited investors" under Regulation D under the 1933 Act and "qualified purchasers" under Section 2(a)(51)(A) of the Investment Company Act, and are offered subject to such conditions as are set forth in the offering documents for the Offshore Fund. Pursuant to Section 3(c)(7) of the Investment Company Act, the Offshore Fund is exempt from the definition of an "investment company" and therefore need not register as investment companies under the Investment Company Act.

As is more fully disclosed in each Fund's relevant offering documents, the Adviser typically requires that a *client* invests a minimum of \$ 1,000,000 to open an account. If the account size falls below the minimum requirement due to market fluctuations only, a *client* will not be required to invest additional funds with the Adviser to meet the minimum account size.

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

**A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that *clients* should be prepared to bear.**

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis may include fundamental research, charting analysis, cyclical analysis, as well as use of quantitative tools and investment approaches, or technical analytical tools and approaches.

As it relates to the Funds (and as discussed in additional detail in the each of the Fund's offering documents), the Adviser engages in a discretionary global macro investing strategy which seeks to take advantage of relative value price discrepancies across assets (or asset-classes) resulting from changes in economic, financial and political data throughout the world. The Adviser uses a proprietary data models to formulate an economic *foundation* which drives its trading decisions. The Funds may make investments in U.S. and non-U.S. instruments, including but not limited to securities such as bonds or equities (including options thereon), currencies (including currency forwards), futures, commodities, swaps (including credit default swaps) and derivatives (listed and OTC). The Fund may engage in short selling, borrow money to purchase securities on margin or utilize leverage in other ways. This strategy involves risk of loss to *clients* and *clients* must be prepared to bear the loss of their entire investment.

**B. For each significant investment strategy or method of analysis you use, explain the material risks *involved*. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

*Relative Value Strategy Risk.* The Funds may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying trading positions were to fail to converge or diverge as anticipated by the Adviser, the portfolio may incur a loss.

*Hedging.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce a Fund's risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk than if the Funds did not engage in any such hedging transactions.

*Short Selling Risk.* Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a portfolio. 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.

*Commodities.* Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the portfolio and the value of investments. In addition, the value of a portfolio may fluctuate as the general level of interest rates fluctuates.

*Interest Rate Risks.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

*Emerging Markets.* The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

*Lack of Diversification.* A Fund's strategy may not be as diversified as other investment vehicles. Accordingly, a Fund's portfolio value may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wide diversification.

*Use of Leverage.* The Adviser may utilize leverage to manage the Funds. The use of leverage exposes the Funds to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Fund 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. In the event of a sudden, precipitous drop in value of a Fund's assets, the Fund might not be able to liquidate assets quickly enough to repay borrowings, further magnifying losses. In an unsettled credit environment, it could be difficult or impossible to obtain leverage. In such event, it could be difficult to implement the applicable strategy. In addition, any leverage obtained, if terminated by the lender, could result in the Fund being forced to unwind positions quickly and at prices below what the Adviser deems to be fair value for such positions.

*Business and Regulatory Risks of Hedge Funds.* Legal, tax and regulatory developments that may adversely affect the Funds could occur. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, CFTC, other regulators and *self-regulatory organizations* and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities may adversely affect the ability to pursue the investment strategy, the ability to obtain leverage and financing and the value of investments held by the Funds. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general and the activities of hedge funds and their managers, in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Adviser.

**C. If you recommend primarily a particular type of security, explain the material risks *involved*. If the type of security involves significant or unusual risks, discuss these risks in detail.**

*Equity-Related Instruments in General.* The Adviser will use equity-related instruments in its investment program. Certain options and other equity-related instruments (for example, exchange traded funds) may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

*Security Futures and Options.* In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the *client's* account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

*Options.* The purchase or sale of an option (including an over-the-counter option) involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

*Commodity-Related Instruments.* The production and marketing of commodities may be affected by actions and changes in governments. In addition, commodity-related instruments may be cyclical in nature. During periods of economic or financial instability, commodity related instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic material prices and possible instability of supply of various commodities. Commodity-related instruments may also experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such instruments may rise at a faster rate; and conversely, in times of falling commodity prices, such instruments may suffer a greater price decline.

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Derivatives and Counterparty Risk.* To the extent that a Fund invests in swaps, derivative or synthetic instruments, repurchase agreements, forward contracts, certain types of options, or other over-the-counter transactions or customized financial instruments, or, in certain circumstances, non-U.S. securities, it may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk

of counterparty default. It is expected that securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Fund, and hence the Fund should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

*Non-U.S. Securities.* Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations may include changes in exchange rates and exchange *control* regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

*Currency Risk.* The Fund's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

*Currency Hedging.* While the Fund is denominated in U.S. dollars, some of the underlying investments of the Fund will typically be denominated in multiple currencies. Accordingly, any hedging of currency exposure that is implemented by the Fund will primarily involve hedging back to the U.S. dollar, but in certain circumstances may involve other hedging activities. If such hedges generate losses in any month or quarter, the Investment Manager may liquidate a portion of the Fund's investment portfolio to cover such losses. While it is anticipated that the Fund will generally try to hedge its overall currency exposure, there can be no assurance that such hedges will be effective.

*Debt Securities.* A Fund may, in certain circumstances, take positions in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. A Fund may take positions in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Fund may invest in securities which are moral obligations of issuers or subject to appropriations. The Fund will therefore be subject to credit and liquidity risks.

### **Item 9. Disciplinary Information**

**A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management *person***

Not Applicable.

**An administrative *proceeding* before the SEC, any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority* in which your firm or a management *person***

Not Applicable.

**A *self-regulatory organization (SRO) proceeding* in which your firm or a management *person***

Not Applicable.

## Item 10. Other Financial Industry Activities and Affiliations

A. If you or any of your *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

Not Applicable.

B. If you or any of your *management persons* are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated *person* of the foregoing entities, disclose this fact.

The Adviser has an application pending to register as a Commodity Pool Operator with the CFTC. Certain of the Adviser's *management persons* have an application pending to register as an Associated *Person*.

C. Describe any relationship or arrangement that is material to your advisory business or to your *clients* that you or any of your *management persons* have with any *related person* listed below. Identify the *related person* and if the relationship or arrangement creates a material conflict of interest with *clients*, describe the nature of the conflict and how you address it.

Not Applicable.

D. If you recommend or select other investment advisers for your *clients* and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

Not Applicable.

## **Item 11. Code of Ethics, Participation or Interest in *Client* Transactions and *Personal* Trading**

**A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any *client* or prospective *client* upon request.**

The Adviser intends to adopt a Code of Ethics (the “Code”) that obligates the Adviser to put the interests of the Adviser’s *clients* before its own interests and to act honestly and fairly in all respects in their dealings with *clients*. All of the Adviser’s *personnel* are also required to comply with applicable federal securities laws. *Clients* or prospective *clients* will be able to obtain a copy of the Code by contacting Jeffrey P. Kallio (Chief Compliance Officer) by email at jkallio@raconcapital.com, or by telephone at 414-877-1270. See below for further discussion of the Code as it relates to the pre-clearing and reporting of securities transactions by *related persons*.

The Adviser, in the course of its investment management and other activities (e.g. board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its *related persons* have invested or seek to invest on behalf of *clients*. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other *person*, regardless of whether such other *person* is a *client*. The Adviser will maintain and enforce written policies and procedures that prohibit the communication of such information to *persons* who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to *clients* and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the *client* or using such information for the *client’s* benefit. In such circumstances, the Adviser will have no responsibility or liability to the *client* for not disclosing such information to the *client* (or the fact that the Adviser possesses such information), or not using such information for the *client’s* benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

**B. If you or a *related person* recommends to *clients*, or buys or sells for *client* accounts, securities in which you or a *related person* has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Not Applicable.

**C. If you or a *related person* invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a *related person* recommends to *clients*, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with *personal* trading.**

The Adviser will require its *related persons* and *employees* to pre-clear all transactions in their *personal* accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its *clients*. In addition, the Adviser’s Code will prohibit the Adviser or its *related persons* and access *persons* from executing *personal* securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser’s *related persons* and *employees* will be required to disclose their securities transactions on a quarterly basis and holdings on an annual basis. Trading in *related person* and *employee*

accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the *client* accounts and reviewed against the restricted securities list.

**D. If you or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for your own (or the *related person's* own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Please see the response to Item 11.C.

## Item 12. Brokerage Practices

### A. Describe the factors that you consider in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions)

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering to the Adviser on-line access to computerized data regarding a *client's* accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a *client* may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and traders periodically evaluate the broker-dealers used by the Adviser to execute *client* trades using the foregoing factors.

**1. Research and Other Soft Dollar Benefits.** The Adviser may receive research or other products or services other than execution from a broker-dealer or third party in connection with *client* securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on *order* execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route *orders*; software that provides trade analytics and trading strategies; software used to transmit *orders*; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a *self-regulatory organization* such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses *client* commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Risk Committee will meet periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of *client* commissions to obtain research and brokerage products and services may raise conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This may create an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services. The Adviser may also

cause *clients* to pay commissions higher than those *charged* by other broker-dealers in return for soft dollar benefits, resulting in higher transaction costs for *clients*.

**2. Brokerage for Client Referrals.** From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend these private funds as an investment to *clients*. The Adviser may place *client* portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

**3. Directed Brokerage.** Not Applicable.

**B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various *client* accounts. If you do not aggregate *orders* when you have the opportunity to do so, explain your practice and describe the costs to *clients* of not aggregating.**

The Adviser currently operates only one Fund structure wherein trades are done for a single Master Fund, and as such the Adviser does not have to aggregate *orders* amongst multiple accounts.

However in the event the Adviser does purchase or sell the same security for multiple *clients* contemporaneously, the Adviser will, where possible, aggregate *client orders*. Such aggregation may enable the Adviser to obtain for *clients* a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the *client* has negotiated the commission rate directly with the broker, the Adviser may not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the *client* will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a *client's* account, the Adviser may be precluded from aggregating that *client's* transaction with others. In such a case, the *client* may pay a higher commission rate and/or receive less favorable prices than *clients* who are able to participate in an aggregated *order*. When an aggregated *order* is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale *order*. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the *order* at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated *order* is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to *clients*. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating *clients*.

### Item 13. Review of Accounts

**Indicate whether you periodically review *client* accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the *supervised persons* who conduct the review.**

The Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of the Funds' portfolios. Such reviews are typically conducted by members of investment team including the CIO, portfolio managers, traders and research analysts.

The Adviser's business team (including the Chief Operating Officer and Managing Director/CCO) will also review portions of a Fund's portfolio at such times as it deems appropriate or when the results of certain meetings or reviews indicate that additional investigation is warranted.

Fund investors receive monthly statements from the administrator for the Funds documenting the performance of their investment, along with periodic, often monthly, commentary regarding general market conditions and any impact on Fund performance. Upon request, the Adviser may provide some Fund investors with information on a more customized frequent and detailed basis if agreed by the Adviser. In addition, the Adviser arranges for the issuance of audited financial statements within one-hundred and twenty (120) days, of the end of the applicable Fund's fiscal year. The Adviser's *personnel* may participate in periodic telephone calls, website presentations or *in-person* portfolio reviews with Fund investors at the Adviser's discretion, which may be attended by appropriate members of the Adviser's staff.

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

**A. If someone who is not a *client* provides an economic benefit to you for providing investment advice or other advisory services to your *clients*, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

The Adviser may receive certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its *clients*. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

In connection with its use of prime brokerage program for newly-formed investment managers, Bank of America-Merrill Lynch may pay a portion of the Adviser’s cost related to Bloomberg Hedge Fund Box/AIM (Bloomberg’s proprietary OMS system). This arrangement creates an incentive for the Adviser to select the prime broker based on the Adviser’s interest in retaining the fee rather than the interest of the *client* in obtaining the highest quality services. To ensure the Adviser is receiving the highest quality of service, the Adviser performs a periodic review of its service providers.

**B. If you or a *related person* directly or indirectly compensates any *person* who is not your *supervised person* for *client* referrals, describe the arrangement and the compensation.**

Not Applicable.

### Item 15. *Custody*

If you have *custody* of *client* Fund(s) or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.

Not Applicable. *Clients* do not receive account statements from any qualified custodians.

## Item 16. Investment Discretion

If you accept *discretionary authority* to manage securities accounts on behalf of *clients*, disclose this fact and describe any limitations *clients* may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

The Adviser has full *discretionary authority* to manage the Funds. Please see Item 4 for additional detail.

Prior to assuming discretion, the Adviser enters into an agreement that sets forth the scope of the Adviser's discretion. With respect to the U.S. Fund, *discretionary authority* is granted to a general partner affiliated with the Adviser, and such general partner generally delegates *discretionary authority* to the Adviser. With respect to the Offshore Funds, *discretionary authority* is granted to the Adviser pursuant to the investment management between the Offshore Fund and the Adviser.

### Item 17. Voting *Client* Securities

If you have, or will accept, authority to vote *client* securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your *clients* can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your *clients* with respect to voting their securities. Describe how *clients* may obtain information from you about how you voted their securities. Explain to *clients* that they may obtain a copy of your proxy voting policies and procedures upon request.

To the extent the Adviser has been delegated proxy voting authority on behalf of its *clients*, the Adviser complies with proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to *client* securities, such proxies are voted in the best interests of its *clients*. The Adviser will take into account the facts and circumstances of each of situation in determining how to vote.

**Item 18. Financial Information.**

**If you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, include a balance sheet for your most recent fiscal year.**

Not Applicable.

**If you have *discretionary authority* or *custody* of *client* Fund(s) or securities, or you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to *clients*.**

Not Applicable.

**If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

Not Applicable.

**Item 19. Requirements for State-Registered Advisers**

Not Applicable.

## **Appendix: Item 2. Material Changes**

Not Applicable.

## ***Brochure supplement***

**Michael Keough**

**January 24, 2013**

Racon Capital Partners LLC ("Racon Capital")  
234 W Florida St. Suite 700, Milwaukee, WI 53204  
(414) 877-1270  
[www.raconcapital.com](http://www.raconcapital.com)

**This *brochure supplement* provides information about Michael Keough that supplements the Racon Capital *brochure*. You should have received a copy of that *brochure*. Please contact Racon Capital if you did not receive the Racon Capital *brochure* or if you have any questions about the contents of this supplement.**

## Item 2. Educational Background and Business Experience

Name of *Supervised person*: Michael Keough

Age or Year of Birth: 1964

### Formal Education after High School:

University of Iowa College of Business (BBA, 1986)

University of Chicago Graduate School of Business (MBA, 1994)

### Business Experience for the preceding five years *(Include an identification of the specific positions held)*:

Racon Capital Partners LLC (2012-Present)

- CIO, *Founder*

Stark & Roth LLC (1996-2012)

- Principal/Partner 2000-2012
- For the past five years - Vice President and Portfolio Manager
- Office of the Chief Investment Officer 2010-2012
- Portfolio Committee Member

### Item 3. Disciplinary Information

**A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the *supervised person***

1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any *felony*; (b) a *misdemeanor* that *involved* investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
2. is the named subject of a pending criminal *proceeding* that involves an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
3. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation; or
4. was the subject of any *order*, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the *supervised person* from engaging

Not Applicable.

**B. An administrative *proceeding* before the SEC, any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority* in which the *supervised person***

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or
2. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation and was the subject of an *order* by the agency or authority
  - a) denying, suspending, or revoking the authorization of the *supervised person* to act in an *investment-related* business;
  - b) barring or suspending the *supervised person's* association with an *investment-related* business;
  - c) otherwise significantly limiting the *supervised person's investment-related* activities; or d) imposing a civil money penalty of more than \$2,500 on the *supervised person*.

Not Applicable.

**C. A *self-regulatory organization (SRO) proceeding* in which the *supervised person***

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or

2. was *found* to have been *involved* in a violation of the *SRO's* rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from *investment-related* activities; or (iii) fined more than \$2,500.

Not Applicable.

**D. Any other *proceeding* in which a professional attainment, designation, or license of the *supervised person* was revoked or suspended because of a violation of rules relating to professional conduct. If the *supervised person* resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a *proceeding* (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.**

Not Applicable.

#### Item 4 - Other Business Activities

**A. If the *supervised person* is actively engaged in any *investment-related* business or occupation, including if the *supervised person* is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated *person* of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.**

1. If a relationship between the advisory business and the *supervised person's* other financial industry activities creates a material conflict of interest with *clients*, describe the nature of the conflict and generally how you address it.

Not Applicable.

2. If the *supervised person* receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service ("trail") fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the *supervised person* receives. Explain that this practice gives the *supervised person* an incentive to recommend investment products based on the compensation received, rather than on the *client's* needs.

Not Applicable.

**B. If the *supervised person* is actively engaged in any business or occupation for compensation not discussed.**

In response to Item 4.A, above, and the other business activity or activities provide a substantial source of the *supervised person's* income or involve a substantial amount of the *supervised person's* time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the *supervised person's* time and income, you may presume that they are not substantial.

Not Applicable.

## Item 5 - Additional Compensation

If someone who is not a *client* provides an economic benefit to the *supervised person* for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the *supervised person's* regular salary. Any bonus that is based, at least in part, on the number or amount of sales, *client* referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

None.

## Item 6 – Supervision

**Explain how you supervise the *supervised person*, including how you monitor the advice the *supervised person* provides to *clients*. Provide the name, title and telephone number of the *person* responsible for supervising the *supervised person's* advisory activities on behalf of your firm.**

Mr. Keough, as Chief Investment Officer (“CIO”), is the leader of an investment team that provides investment advice to one or more investment management *clients*. Investment activity, portfolio risk and risk compliance is reviewed periodically by the Adviser’s Risk Committee, which is made up of the Adviser’s Chief Operating Officer Jackie Darr, Portfolio Manager Kevin Senske and Chief Investment Officer Michael Keough. Supervision of Mr. Keough is provided by the Risk Committee. Jackie Darr, the Adviser’s Chief Operating Officer, can provide information on how the Risk Committee will supervise Mr. Keough’s advisory activities. Mrs. Darr can be reached at 414-877-1270.

## ***Brochure supplement***

**Kevin Senske**

**January 24, 2013**

Racon Capital Partners LLC ("Racon Capital")  
234 W Florida St. Suite 700, Milwaukee, WI 53204  
(414) 877-1270  
[www.raconcapital.com](http://www.raconcapital.com)

**This *brochure supplement* provides information about Kevin Senske that supplements the Racon Capital *brochure*. You should have received a copy of that *brochure*. Please contact Racon Capital if you did not receive the Racon Capital *brochure* or if you have any questions about the contents of this supplement.**

## Item 2. Educational Background and Business Experience

Name of *Supervised person*: Kevin Senske

Age or Year of Birth: 1979

### Formal Education after High School:

Indian Hills Community College (AA, 2000)

University of Wisconsin- La Crosse (BA, 2002)

**Business Experience for the preceding five years** *(Include an identification of the specific positions held):*

Racon Capital Partners LLC (2012-Present)

- Portfolio Manager – Cross Asset Strategy

Stark & Roth LLC (2003-2012)

- Senior Global Macro Trader 2009-2012
- Fair Value Committee Member 2011-2012
- Emerging Markets Committee Member 2006-2009
- Execution Trader 2006-2009
- Risk/Operations Analyst 2003-2006

### Item 3. Disciplinary Information

**A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the *supervised person***

1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any *felony*; (b) a *misdemeanor* that *involved* investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
2. is the named subject of a pending criminal *proceeding* that involves an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
3. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation; or
4. was the subject of any *order*, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the *supervised person* from engaging

Not Applicable.

**B. An administrative *proceeding* before the SEC, any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority* in which the *supervised person***

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or
2. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation and was the subject of an *order* by the agency or authority
  - a) denying, suspending, or revoking the authorization of the *supervised person* to act in an *investment-related* business;
  - b) barring or suspending the *supervised person's* association with an *investment-related* business;
  - c) otherwise significantly limiting the *supervised person's investment-related* activities; or d) imposing a civil money penalty of more than \$2,500 on the *supervised person*.

Not Applicable.

**C. A *self-regulatory organization (SRO) proceeding* in which the *supervised person***

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or

2. was *found* to have been *involved* in a violation of the *SRO's* rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from *investment-related* activities; or (iii) fined more than \$2,500.

Not Applicable.

**D. Any other *proceeding* in which a professional attainment, designation, or license of the *supervised person* was revoked or suspended because of a violation of rules relating to professional conduct. If the *supervised person* resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a *proceeding* (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.**

Not Applicable.

#### Item 4 - Other Business Activities

**A. If the *supervised person* is actively engaged in any *investment-related* business or occupation, including if the *supervised person* is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated *person* of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.**

1. If a relationship between the advisory business and the *supervised person's* other financial industry activities creates a material conflict of interest with *clients*, describe the nature of the conflict and generally how you address it.

Not Applicable.

2. If the *supervised person* receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service ("trail") fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the *supervised person* receives. Explain that this practice gives the *supervised person* an incentive to recommend investment products based on the compensation received, rather than on the *client's* needs.

Not Applicable.

**B. If the *supervised person* is actively engaged in any business or occupation for compensation not discussed.**

In response to Item 4.A, above, and the other business activity or activities provide a substantial source of the *supervised person's* income or involve a substantial amount of the *supervised person's* time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the *supervised person's* time and income, you may presume that they are not substantial.

Not Applicable.

## Item 5 - Additional Compensation

If someone who is not a *client* provides an economic benefit to the *supervised person* for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the *supervised person's* regular salary. Any bonus that is based, at least in part, on the number or amount of sales, *client* referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

None.

## Item 6 – Supervision

**Explain how you supervise the *supervised person*, including how you monitor the advice the *supervised person* provides to *clients*. Provide the name, title and telephone number of the *person* responsible for supervising the *supervised person's* advisory activities on behalf of your firm.**

Mr. Senske, as Portfolio Manager, manages investment activity, portfolio risk and risk compliance for the Adviser. Supervision of Mr. Senske is provided by the Mike Keough (the Adviser's Chief Investment Officer) and the Adviser's Risk Committee. Jackie Darr (the Adviser's Chief Operating Officer) can provide information on how the Risk Committee will supervise Mr. Senske's activities. Mrs. Darr can be reached at 414-877-1270.