



Knox Private Equity Funds Private Placement Memorandum

March 10, 2014

Guaranteed Return Fund
Preservation & Growth Fund
Moderately Aggressive Fund

The Fund's Subscription Materials & Private Equity Advisory Agreement dated March 10, 2014 are incorporated into and made part of this Private Placement Memorandum by reference.

Before you invest, you must qualify as an Accredited Investor or meet the alternative investment suitability standards established for these investments. You can request a consultation with a Knox advisor online at www.knoxequity.com/contact or by sending an e-mail request to advisor@knoxequity.com.

The Securities and Exchange Commission (SEC) has not approved or disapproved these securities or passed upon the accuracy or adequacy of this Private Placement Memorandum. Any representation to the contrary is a criminal offense.

Investment Objective

The **Guaranteed Return Fund** primarily seeks capital preservation with capital appreciation as a secondary goal with absolutely no correlation to the broader U.S. equity market and zero tolerance for capital loss.

The **Preservation & Growth Fund** seeks capital appreciation and capital preservation with low correlation to the broader U.S. equity market.

The **Moderately Aggressive Fund** seeks aggressive capital appreciation with low-medium correlation to the broader U.S. equity market. This product is suited for investors who understand and accept the risks and potential volatility associated with aggressive returns.

Term Structure

The term structure is carefully aligned with the ability to efficiently deploy capital and execute the Fund's investment strategies.

The following table describes the term structure of the Guaranteed Return Fund, Preservation & Growth Fund, and Moderately Aggressive Fund.

	Guaranteed Return	Preservation & Growth	Moderately Aggressive
Lockup Period	12 months	12 months	12 months
Redemption Period	Quarterly	Quarterly	Quarterly
Advance Notice	30 days	30 days	30 days

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold Shares of the Guaranteed Return Fund, Preservation & Growth Fund, or Moderately Aggressive Fund.

Shareholder Fees

(Fees paid directly from your investment)

	Guaranteed Return	Preservation & Growth	Moderately Aggressive
Sales Charge (Load) Imposed on Purchases	None	None	None
Purchase Fee	None	None	None
Sales Charge (Load) Imposed on Reinvested Dividends	None	None	None
Redemption Fee	None	None	None
Account Service Fee (for fund account balances below \$100,000)	\$50/year	\$50/year	\$50/year

Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

	Guaranteed Return	Preservation & Growth	Moderately Aggressive
Management Expenses	2.00%	2.00%	2.00%
12b-1 Distribution Fee	None	None	None
Other Expenses	None	None	None
Total Annual Fund Operating Expenses	2.00%	2.00%	2.00%
Incentive Fees (New Profit only)	20.00%	20.00%	20.00%

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover may indicate higher transaction costs. These costs, which are not reflected in annual fund operating expense, affect the Fund’s performance.

Primary Investment Strategies

The **Guaranteed Return Fund** seeks to achieve its investment objectives by building a portfolio of risk-free, absolute return investments that may, or may not, be combined with a dynamic, fully hedged portfolio of mixed equity options to incrementally contribute to positive returns. The Fund attempts to eliminate volatility and generate minimal returns in exchange for consistency and protection of capital.

The **Preservation & Growth Fund** seeks to achieve its investment objectives by building a portfolio of low-risk, income generating investments combined with a dynamic, strongly hedged portfolio of long and short equity options to garner returns through the inefficiencies of options pricing, volatility, and time decay. The Fund attempts to minimize volatility and generate optimal returns with low correlation to the broader markets.

The Fund is “non-diversified” for purposes of the Investment Company Act of 1940, as amended (the “1940 Act”), which means that the Fund may invest in fewer securities at any one time than a diversified fund.

The **Moderately Aggressive Fund** seeks to achieve its investment objectives by building a portfolio of strategic private equity investments combined with a dynamic, moderately hedged portfolio of advanced equity options positions that exploit global market opportunities. The Fund attempts to diversify private equity holdings by investing in volatility and generate maximum returns with low-medium correlation to the broader markets.

The Fund opportunistically invests where derivatives markets, cash markets, and option pricing provide favorable risk/reward models and where gains can be attained independent of the direction of the broader U.S. equity market. The Fund uses quantitative analytics of historical portfolio profit and loss information to identify favorable option trading opportunities, including favorable call and put option spreads. The Fund's investment strategy also takes into account fundamental business and macro economic factors.

Primary Risks

An investment in the Funds could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a range commensurate with the risk/reward profile of the specific Fund. The Funds are subject to the following risks, which could affect the Fund's performance:

- *Active Trading Risk.* A higher portfolio turnover due to active and frequent trading will result in higher transactional and brokerage costs.
- *Call Option Risk.* When the Fund purchases a call option on a security or index it may lose the entire premium paid if the underlying security or index does not increase in value. The Fund is also exposed to default by the option writer who may be unwilling or unable to perform its contractual obligations to the Fund.
- *Derivatives Risk.* The risk of investing in derivative instruments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the Fund could lose more than the principal amount invested.
- *Hedging Risk.* Hedging is a strategy in which the Fund uses a derivative to offset the risks associated with other Fund holdings. There can be no assurance that the Fund's hedging strategy will reduce risk or that hedging transactions will be either available or cost effective. The Fund is not required to use hedging and may choose not to do so.
- *Index Risk.* If the derivative is linked to the performance of an index, it will be subject to the risks associated with changes in that index.
- *Issuer-Specific Risk.* The value of a specific security can be more volatile than the market as a whole and may perform worse than the market as a whole.
- *Leveraging Risk.* The use of leverage, such as that embedded in options, will magnify the Fund's gains or losses.

- *Limited History of Operations.* The Fund has a limited history of operation.
- *Liquidity Risk.* Liquidity risk exists when particular investments of the Fund would be difficult to purchase or sell, possibly preventing the Fund from selling such illiquid securities at an advantageous time or price, or possibly requiring the Fund to dispose of other investments at unfavorable times or prices in order to satisfy its obligations.
- *Management Risk.* The Adviser's decisions on size and diversity of portfolio holdings and its judgments about the potential change in value of a particular option or security in which the Fund invests may prove to be incorrect.
- *Market Risk.* Overall equity market risk may affect the value of individual instruments in which the Fund invests. Factors such as domestic and foreign economic growth and market conditions, interest rate levels, and political events affect the securities markets. When the value of the Fund's investments goes down, your investment in the Fund decreases in value and you could lose money.
- *Non-Diversification Risk.* A non-diversified fund's greater investment in a single issuer makes the fund more susceptible to financial, economic or market events impacting such issuer. A decline in the value of or default by a single security in the non-diversified fund's portfolio may have a greater negative effect than a similar decline or default by a single security in a diversified portfolio.
- *Put Option Risk.* When the Fund purchases a put option on a security or index it may lose the entire premium paid if the underlying security or index does not decrease in value. The Fund is also exposed to default by the option writer who may be unwilling or unable to perform its contractual obligations to the Fund.
- *Regulatory Risk.* Changes in the laws or regulations of the United States or other countries, including any changes to applicable tax laws and regulations, could impair the ability of the Fund to achieve its investment objective and could increase the operating expenses of the Fund.
- *Written Options Risk.* The Fund will incur a loss as a result of a sold option (also referred to as a short position) if the price of the sold option instrument increases in value between the date when the Fund writes the option and the date on which the Fund purchases an offsetting position. The Fund's losses are potentially large in a sold put transaction and potentially unlimited in a sold call transaction.

An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Investment Advisor

Knox Advisory Group LP (the "Adviser").

Portfolio Manager

Sidney Paramadilok, Principal of the Adviser, has served as Portfolio Manager of the Fund since it commenced operations in 2009.

Purchase and Sale of Fund Shares

You may purchase or redeem shares through your Knox investment advisor once you have qualified as an Accredited Investor. The following table provides the Fund's minimum initial and subsequent investment requirements. The Fund or its Adviser may waive any of the minimum initial and subsequent investment amounts.

Account Minimums	Guaranteed Return	Preservation & Growth	Moderately Aggressive
To open and maintain an account	\$20,000	\$20,000	\$20,000
To add to an existing account	\$10,000	\$10,000	\$10,000

Tax Information

Dividends and capital gain distributions you receive from the Fund, whether you reinvest your distributions in additional Fund shares or receive them in cash, may be taxable to you at either ordinary income or capital gains tax rates.

Payments to Financial Intermediaries

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

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