

KNELMAN ASSET MANAGEMENT GROUP, LLC

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This brochure provides information about the qualifications and business practices of Knelman Asset Management Group, LLC. If you have any questions about the contents of this brochure, please contact us at 612-341-8171. The information in the brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Knelman Asset Management Group, LLC is available at the SEC's website at www.adviserinfo.sec.gov.

Knelman Asset Management Group, LLC is an SEC registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

Item 2 – Material Changes

In July 2010, the SEC began an examination of KAMG. During the course of the examination, the SEC identified certain compliance deficiencies and violations and, as a result, began an administrative proceeding against KAMG and Kip Knelman. On October 28, 2013, an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company, Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”) was issued by the SEC that detailed the terms of a settlement reached between KAMG, Kip Knelman, and the SEC. This matter has been resolved, and readers are asked to see Item 9 of this Brochure for further details.

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Item 4 - Advisory business

Knelman Asset Management Group, LLC (KAMG) was founded in 2000 by its current owner CEO IP (KIP) Knelman. Prior to starting the firm Knelman was associated with Investment Advisers Inc. for close to 20 years. IAI was an institutional money management firm that managed approximately 18 billion dollars at its height. He retired in 1998 as CEO. Early in 2005 Lazard Asset Management acquired the firm and KAMG became part of Lazard Asset Management. Knelman became the head of growth equity for Lazard Asset Management. In December of 2008 Knelman reacquired the firm back from Lazard. It currently operates as an independent investment management firm.

Knelman is the sole owner of the firm and owns 100% of its equity. The firm provides relative growth investment strategies to institutional pension and profit sharing plans, taxable families and individuals and is also a sub advisor to third party platforms. In addition, KAMG manages taxable and tax exempt fixed income, primarily for taxable clients and institutional accounts that utilize the firm's balanced investment strategy. Balanced portfolio management is also offered to taxable and tax-exempt clients. The firm's growth equity strategies include Large Cap Growth, All Cap Opportunistic, and Small Cap Growth. The latter strategy was started in June 2011. KAMG only manages money on a fully discretionary basis and makes all investment decisions for client accounts.

KAMG is not a broker dealer. KAMG has custody as we directly debit investment management fees for certain clients. KAMG does custody assets of Rancho Partners 1, a LLC formed in 2000. When asked by clients for asset allocation advice KAMG will provide that as a service, but does not provide any retirement or tax planning, financial planning, insurance needs or other financial offerings. KAMG will discuss with each client their investment objectives and guidelines to make certain that there is an appropriate fit for KAMG to manage a portion if not all of the assets of the client. From time to time, clients may have certain restrictions as to the type of stocks or fixed income instruments they will allow a manager (hypothetically KAMG) to invest in the portfolio. KAMG documents these restrictions and they become part of the client's investment guidelines. KAMG utilizes a model portfolio for its equity strategies whereby all clients will typically have the same holdings with the exception of clients that have specific restrictions which would preclude them from owning a part of the model portfolio.

KAMG may provide sub advisory services (wrap accounts) sponsored by unaffiliated financial service firms such as investment advisors and broker dealers. Under this arrangement a client of the sponsoring financial institution will be able to obtain professional investment management and transaction execution for a single fee. Each wrap fee program sponsor sets its own fee for clients participating in the program and will pay KAMG for its advisory services rendered to the client out of the fees it charges to its clients. This fee that KAMG receives will be negotiated with the program sponsor and may be affected by the size of the accounts being managed and the nature of the investment objectives being utilized by KAMG in connection with the program. Fees may vary from the schedule of fees set forth in item 5 below and from program to program. Fees charged to clients in a wrap fee program are set forth in a sponsor's disclosure document, which is delivered to clients by the wrap fee sponsor at the

start of the client relationship. Wrap fee programs that KAMG currently participates in are identified in its form ADV Part 1A, which is available at the SEC's website at www.adviserinfo.sec.gov.

As of March (2013), KAMG managed approximately 106.5 million dollars in assets on a discretionary basis.

KAMG provides investment advisory services to Rancho Partners 1 LLC which was formed in 2000. This Fund of Funds and the membership interests have not been and will not be registered under the Securities Act of 1933. This Fund of Funds is closed to new members and is in the final stages of its life.

Item 5 - Fees and Compensation

KAMG's management fees for its advisory services depend on the portfolio management style employed, and in any case, are based on the market value of the account assets (comprising securities, cash and money market balance). Fees are charged quarterly in arrears. Fees will be negotiated based on the size of the account.

Schedules

Taxable Clients

Equity & Balanced 1% P/A

Fixed Income 0.5% P/A

Tax Exempt Clients

Large Cap Growth 0.75% first \$25M
0.50% thereafter

All Cap Growth 0.75% first \$25M
0.50% thereafter

Small Cap Growth 1.0% P/A

Fixed Income 0.5% P/A

KAMG will group multiple accounts of one client relationship together for purposes of calculating a negotiated fee. Clients may authorize KAMG and the investment management agreement to deduct advisory fees directly from the client's custodial account. It is the client's responsibility to review the advisory fees included in the account statements provided by the custodian.

KAMG's management fees do not include transaction costs, custodial fees or other investment expenses. More information on these types of fees is included in item 12, "brokerage practices".

Management agreements may be terminated upon written notice and is typically a 30 day cancellation policy.

Item 6 - Performance-based fees and side-by-side management

Currently KAMG does not have any performance-based fee arrangements with any of its clients.

Item 7 - Types of Clients

KAMG manages investment accounts for individuals, trusts, estates and institutional clients that include pension and profit sharing plans corporations, endowments, foundations and business entities. KAMG may also provide investment advice to common trust funds and collective investment funds maintained by banks or trust companies. In addition, KAMG may serve private investment companies, such as private limited partnerships and private limited liability companies and offshore investment funds. KAMG serves as an investment adviser and managing member to Rancho Partners 1.

Generally, for separate accounts KAMG requires a minimum account size of 250,000 dollars but may make exceptions to this minimum based on client type, a preexisting relationship with client or other factors. Clients that participate in wrapped fee and similar programs described in item 4 above, may not be subject to KAMG's minimum account thresholds.

Item 8 - Methods of analysis, investment strategies and risk of loss

Equity Strategies:

KAMG utilizes the same relative growth strategies for large cap, all cap and small cap growth. KAMG is a quality growth manager. Investing in equity securities involves the risk of loss of principal that clients should be prepared to bear.

The primary difference amongst the three equity strategies is the range of market capitalization in each strategy. The large cap growth equity strategy invests in large quality growth names with market capitalization typically above \$3 billion. The all cap opportunistic growth strategy has a wide opportunity set that can invest in small cap, mid-cap and large-cap companies with capitalizations that would typically be greater than \$100 million. Finally, the small cap growth strategy invests in smaller capitalized companies with market capitalizations of \$3 billion or less at the time of purchase.

Quantitative Research (Fundamental)

The process begins with a number of quantitative screens that are designed to identify companies with growth characteristics important to the team. The multi-factor models utilize investment metrics that the firm believes are important in identifying growth opportunities. Combined with the "screenings" of companies identified by the investment team, the group will have a good number of companies to evaluate more thoroughly.

The process has no negative bias in terms of where (sectors) ideas will be sourced. Growth is the key in the process, but it is relative growth. The investment professionals are looking for changing conditions within the company that will drive both the top and bottom line growth in the future.

The catalyst for most investments is changing/accelerating and/or sustainable revenue and earnings growth. Margin expansion and a company's operating momentum are also extremely important. Valuation metrics will include forward P/E, Price/Sales, Price/Growth and free cash flow yield.

Qualitative Analysis

Qualitative analysis supplements the team's fundamental research. Validating their assumptions, the investment team seeks to confirm company fundamentals through discussions with their network of contacts. Qualitative analysis includes the assessment of the depth and capabilities of company management, how management has developed and implemented a successful business model and how they have adapted to various market conditions. The team also looks at competitive advantages a company may have, which might include intellectual property, patents and barriers to entry. They also look for companies with management teams that have successful track records or that we believe can act as catalysts for positive changes in their companies.

Credit Cycle Analysis

Part of the investment process is establishing our view on the credit cycle and how that will impact the economy over time. The founder and senior investment professional at the firm is responsible for the credit cycle analysis. Credit cycle analysis is one component of the process, but does not drive the process. The credit cycle is the interaction between the Federal Reserve and the real economy. Credit cycle analysis can identify the stage we are at within the credit cycle and how current Federal Reserve policies will impact economic activity. What is difficult to determine is the duration of each phase of the credit cycle over time. Investment professionals will continually test the credit cycle assumptions with current portfolio holdings.

Relative Valuation Process

Relative valuation is the process that helps the team establish price targets for each company. Relative valuation will compare metrics (current and past) that we believe are appropriate to analyze a company, with comparisons made to the company's historical valuation as well as to the valuation of its peer group and the overall market. Based on these comparisons, we can then make assessments of a company's fair value.

While the process is primarily driven through bottom up stock selection the firm does have decision rules for portfolio construction. The investment team believes it can find growth opportunities in virtually all economic sectors and therefore will have a somewhat diversified portfolio in terms of names and economic sectors. There will be roughly 55-65 names in the portfolio and the firm makes an attempt to have meaningful overweight's in what they believe have the highest conviction names within the overall portfolio. We try to never have more than 1.5x the weight of the largest sectors that are represented in the strategy's relevant benchmark and make an attempt to have at least .5x the weight in these same sectors. For those sectors that are relatively small we can have from 0-4x the weighting.

Typically a holding will not be greater than 5% of the portfolio, however, if the benchmark weight of a company is significant and in order for us to have a meaningful relative position we may very well go above the 5%. The portfolio construction process is driven by fundamental techniques.

Prospective clients should know that volatility within the small cap and all cap growth strategies may be higher relative to the large cap growth strategy. This is the result of investing in smaller companies that historically have carried more volatility compared to large capitalized companies. In addition, because of market capitalization and ownership concentration smaller stocks may trade more thinly and may have a more limited public float than more established companies. Share prices may fluctuate and have more volatility. Clients that utilize the small cap growth strategy and the all cap opportunistic growth strategy should be willing to accept higher volatility.

The equity strategies deployed by KAMG do not include any market timing strategy and portfolios are fully invested at all times. When there is cash in the accounts it is typically the result of cash from sales of securities that have not been reinvested at that point in time.

Balanced Investment Strategies

KAMG manages balanced portfolios for clients that include stocks and bonds. All portfolios are invested in U.S. dollar denominated securities. There are no purchases of any non-U.S. security in their local currency. Each client that utilizes a balanced investment strategy with KAMG will have a portfolio asset allocation strategy consistent with their specific investment objectives. As a result there may not be a consistent asset allocation strategy for balanced portfolios as each client may have different asset allocation parameters. Typically the two asset classes that are utilized in the balanced strategies are U.S. equities and fixed income. All portfolios are individually managed for the long term. Investing in equity and fixed income securities involves the risk of loss of principal that clients should be prepared to bear.

Fixed Income Strategies

KAMG will utilize a fixed income strategy that is based off of its credit cycle analysis. The credit cycle is the relationship between the central bank (Federal Reserve) and the real economy. Central bank policies and fiscal policies set by Congress and the President impact both the credit cycle and the amount of slack there is within the economy. The cycle is repeatable in terms of the sequence of events, cycle over cycle, but it is the duration of those events that is difficult to forecast. Fixed income strategy is driven off the credit cycle analysis. Decisions on the quality, duration, maturity and the credits are based on the credit cycle work. All bonds are of investment grade quality and are U.S. denominated. Investing in fixed income securities involves risk of loss of principal that clients should be prepared to bear.

Types of investments:

KAMG offers investment advice on domestic equities and at times this includes ETFs. ADRs will be used from time to time in KAMG's investment strategy but typically do not make up more than 5% of the total portfolio. From time to time clients will ask KAMG to hold certain securities which are treated by KAMG as unsupervised assets. KAMG expresses no opinion on these holdings. Cash balances are generally invested in money market funds available through the client's custodian.

KAMG also offers investment advice on US dollar denominated fixed income instruments that are both taxable and tax exempt securities. These bond investments will include U.S. Government and Agency notes and bills, finance, utility and corporate credits.

KAMG made an investment in a venture capital Fund of Funds in 2000. This investment is currently not available to investors.

Risk of Loss

Risk of loss is inherent in any investment security. Past performance does not guarantee future results, and there is no guarantee that your investment objectives will be achieved. Your account may be subject to the following risks:

Management Risk. KAMG and its portfolio managers will be delegated the authority to buy and sell securities on your behalf. You must rely upon the manager's abilities and judgment and upon their investment abilities. There is no guarantee that the portfolio manager's investment techniques will be successful.

Equity Securities Risk. Common stocks and other equity securities generally increase or decrease in value based on the earnings of a company and on general industry and market conditions. The value of a company's share price may decline as a result of poor decisions made by management, lower demand for the companies services or products or if the company's revenues fall short of expectations. There are also risks associated with the stock market overall. The stock market will experience periods of turbulence and instability. In addition investment in smaller capitalized companies generally involves a higher degree of risk than investing in securities of larger companies. KAMG's strategies include small cap growth therefore clients need to know that those strategies will at times be more volatile than strategies that are utilized in its large cap growth and all cap growth. Prices of smaller companies are generally more volatile than those of larger companies and will have less market liquidity. They may be more likely to be adversely affected by poor economic or market conditions.

Private Investments. Private investments made within the Rancho Partners 1 LLC carry risk. A full description of the risks can be found in the PPM.

Fixed Income Securities Risk

Prices of fixed income securities react to changes in interest rates. As rates move up the prices of bonds move inversely and most likely will go down in value. Interest rate moves can be volatile at times and clients need to be aware that prices can change rather quickly. Despite receiving income from fixed income instruments the prices of bonds can decline based on credit issues of the company or a rise in interest rates. Government securities can lose value due to potential sovereign default. Non-government credits can lose value and are at greater risk if audit agencies downgrade their audit ratings. Municipal bonds can also face significant loss of principal, if audit agencies downgrade their credit ratings.

Item 9 - Disciplinary information

In July 2010, the SEC began an examination of KAMG. During the course of the examination, the SEC identified certain compliance deficiencies and violations and, as a result, began an administrative proceeding against KAMG and Kip Knelman. On October 28, 2013, an Order was issued by the SEC that detailed the terms of a settlement reached between KAMG, Kip Knelman, and the SEC. This matter has been resolved, and the following is a summary of the violations as well as the terms of that settlement.

The SEC found that KAMG and Kip Knelman violated sections of the Investment Advisers Act of 1940 ("IA Act") as follows:

- KAMG, the manager of Rancho Partners I, LLC ("Rancho"), a fund of private equity funds, and Kip Knelman violated IA Act Rule 206(4)-2 ("Custody Rule") by, among other things, failing to arrange annual surprise examinations of Rancho's assets, or alternatively, failing to provide Rancho's members with audited financial statements.
- KAMG and Kip Knelman used a distribution methodology that was contrary to Rancho's limited liability company agreement and private placement memorandum, and made improper cash distributions to some of Rancho's members in violation of IA Act Section 206(2), Section 206(4) and Rule 206(4)-8. Subsequent to the discovery of the improper distributions by the SEC examination staff, KAMG took corrective action to re-allocate distributions among its members and correct the improper distributions.
- KAMG and Kip Knelman violated IA Act Rule 206(4)-7 ("Compliance Rule") by failing to conduct annual reviews of the adequacy and effectiveness of KAMG's compliance policies and procedures, and by failing to adopt and implement controls designed to safeguard Rancho's assets.
- KAMG and Kip Knelman failed to accurately maintain certain books and records regarding transactions for Rancho mandated by the IA Act Rule 204-2, and failed to maintain certain required proxy voting materials.

- KAMG and Kip Knelman filed Forms ADV that falsely stated the firm did not have custody of client assets in violation of Section 207 of the IA Act.

To comply with the terms of the settlement, KAMG has agreed to cease and desist from committing or causing any violations relevant to this Order, and has hired a new Chief Compliance Officer (“CCO”), Derek E. Jose, to replace Kip Knelman as CCO. Derek Jose and Kip Knelman are required to complete thirty hours of compliance training related to the IA Act. KAMG has also hired a third party compliance consultant to provide guidance with respect to compliance reviews and tests. KAMG has agreed to pay a civil monetary penalty in the amount of \$60,000. Kip Knelman has agreed to pay a civil monetary penalty of \$75,000 and has been barred from acting as CCO of any financial services institution.

Item 10 - Other financial industry activities and affiliations

KAMG is an independent investment advisor fully owned by IP (Kip) Knelman. We are not affiliated with any other financial services firm.

Item 11 - Code of Ethics, participation or interests in client transactions for personal trading

KAMG maintains a Code of Ethics (the “Code”) which governs all employees and requires them to adhere to the highest standards of business conduct. It is KAMG’s policy that each client’s interest come before that of KAMG and its employees. The Code addresses the firm’s policies relating to compliance with laws and regulations, conflicts of interest, confidentiality, gifts and entertainment, personal trading and reporting, and insider trading, and is intended to assist employees in carrying out their duties as fiduciaries to clients. Neither KAMG nor persons associated with KAMG may benefit personally or trade for their own account on the basis of material non-public information. KAMG requires employees to pre-clear all personal securities transactions, subject to specific exceptions set forth in the code of ethics. Although KAMG believes the procedure set forth in the Code is appropriate to eliminate or mitigate potential conflicts of interest, clients should be aware that no set of procedures can anticipate or relieve all potential conflicts. A copy of the firm’s Code is available upon request to KAMG.

KAMG has specific rules covering related persons investing in the same securities that have been purchased by clients. The following restrictions apply to trading for personal securities accounts of covered persons and related persons: Transactions that occur in clients’ accounts are permissible in personal accounts concurrent to client transactions, only when the personal account is managed by KAMG to the same model as clients. For all other personal accounts, a THREE-day blackout period will be enforced prior to and following transactions performed in client accounts.

Item 12 - Brokerage Practices

In the absence of written client direction, KAMG exercises discretion in the selection of brokers-dealers for the execution of trades. KAMG's overriding objective is to obtain the best qualitative execution for the managed account. In essence, this means that KAMG seeks to execute securities transactions for clients in such a manner that the clients total cost or proceeds in each transaction is the most favorable under the circumstances. When evaluating brokers, KAMG considers factors such as:

- The value of research provided;
- The commission rates charged;
- The ability to negotiate commission;
- The ability to obtain volume discount;
- Execution capabilities;
- Financial responsibility;
- Responsiveness to KAMG;
- The terms and conditions specified by the client or portfolio manager;
- Size of the order, and
- Depth and liquidity of the market for the security.

While KAMG seeks reasonably competitive commission rates, a client may not pay the lowest commission or spread available on any particular transaction. KAMG has adopted procedures to ensure that its duty of best execution is being met. KAMG's Trade Management Oversight Committee meets on a quarterly basis and are responsible for monitoring the firm's trading practices and periodically reviewing and evaluating the services provided by brokers and the quality of executions, research, commission rates and overall brokerage relationships.

Soft Dollar Arrangements

As permitted by Section 28(e) of the Exchange Act, KAMG engages in the long-standing investment management industry practice of paying higher commissions to brokers who provide brokerage and research services than to brokers who do not provide such services, if such higher commissions are deemed reasonable in relation to the value of brokerage and research services provided. These types of transactions are commonly referred to as "soft dollar transactions." Two different types of research services are typically acquired through these transactions: (i) proprietary research services offered by the broker executing a trade and (ii) other research services offered by third parties through the executing broker. Research services that may be obtained by KAMG through soft dollar transactions

include, but are not limited to:

- economic, industry or company research reports or investment recommendations;
- subscriptions to financial publications or research data compilations;
- compilations of securities prices, earnings, dividends and similar data; and
- services of economic and other consultants concerning markets, industries, securities, economic factors and trends.

These research services enable KAMG to supplement its own research and analysis used in connection with providing advice to its clients as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; the furnishing to clients of analyses and reports; and the effecting of securities transactions and performing functions incidental thereto (such as clearance and settlement) on behalf of clients.

To the extent that KAMG uses client transactions to obtain research or other products or services that KAMG could otherwise purchase for cash, KAMG receives a benefit because we do not have to produce or pay for such research, products or services. As a result, KAMG may have an incentive to place more trades or pay higher commissions than would otherwise be the case due to our interest in receiving these benefits, rather than our client's interest in receiving most favorable execution. However, KAMG monitors this potential conflict of interest through its Trade Management Oversight Committee, which reviews all trading practices, including soft dollar arrangements.

Soft dollar transactions are not affected pursuant to any binding agreement or understanding with any broker regarding a specific dollar amount of commissions to be paid to that broker. However, KAMG does in some instances request a particular broker to provide a specific research service, which may be proprietary to that firm or produced by a third party and made available by that firm. In such instances, the broker in agreeing to provide the research service frequently will indicate to KAMG a specific or minimum amount of commissions which it expects to receive by reason of its provision of the particular research service.

Research or brokerage products or services provided by brokers may be used by KAMG in servicing any or all of its clients, and such research products or services may not necessarily be used by KAMG in connection with client accounts which paid commissions to the brokers providing such product or service. In recognition of these factors, clients may pay higher commissions to brokers than might be charged if a different broker had been selected, if, in KAMG's opinion, this policy furthers the objective of obtaining best price and execution. In addition, KAMG does not modify or reduce its fees based on the amount of brokerage or research services it receives from soft dollar transactions.

In the event KAMG obtains products or services on a soft dollar basis for a mixed-use (e.g., for both research and non-research purposes), KAMG will make a reasonable allocation of the cost between that portion which is eligible as research and that portion which is not so qualified. The portion eligible as research may be paid for with soft dollars and the non-eligible portion will be paid for with KAMG's own funds. This allocation decision may present a conflict of interest to KAMG because it is deciding

how much the firm will pay in cash. KAMG's compliance procedures require that such allocations be made in good faith.

Directed Brokerage

Clients may designate, in writing, a broker through which securities transactions should be effected for their accounts. KAMG views the designation of a broker by the client as an implicit direction of commissions generated by the client account. Designation of a broker may cause the client to pay higher transaction fees than otherwise may be available and may serve as a consideration in referring business to KAMG. In addition, KAMG may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. Under these circumstances, a disparity in commission charges may exist between the commissions charged to clients who direct KAMG to use a particular broker and those clients who do not. Accordingly, directed brokerage may cost you more money. When a client has directed KAMG to provide a given amount of commissions to a specific broker in return for the provision of a service by that broker to the client (i.e., a "step-out" transaction), KAMG will follow directions in such manner as it deems to be consistent with its contractual and legal responsibilities. Clients should consider the implications of any fiduciary laws, including ERISA, applicable to such clients prior to designating a broker for execution of trades.

"Step-Out" Brokerage Transactions

KAMG may engage in "step-out" brokerage transactions subject to best price and execution. Generally, in a "step-out" transaction, KAMG directs a trade to a broker with an instruction to execute the transaction, but "step-out" a portion of the transaction to a second broker who clears and settles that portion of the trade. Each broker in a step-out transaction receives a commission based on that portion of the transaction that it clears and settles. KAMG may engage in step-out transactions to satisfy directed brokerage arrangements for its client accounts, to pay commissions to brokers who supply research services to KAMG and/or to improve trade execution. KAMG may have an incentive to engage in step-out transactions to generate additional commissions or soft dollars, which may create a conflict of interest. However, KAMG monitors this potential conflict of interest through its Investment Committee, and its head trader which reviews all trading practices.

Trade Allocation and Aggregation

For most clients using KAMG's equity strategies a model portfolio is utilized. Clients will have block trades allocated on a pro-rated basis. KAMG renders investment management advice to clients who may or may not have investment policies or objectives similar to those of other clients that utilize the model portfolios. Because of this clients should expect dispersion in investment performance among individual accounts and between any individual account and a composite of individual accounts.

Occasionally, KAMG has the opportunity on a very limited basis to acquire shares sold through IPOs. KAMG's policy is to allocate such shares among eligible accounts based on criteria such as available cash, existing positions and brokerage restrictions.

KAMG may decide to combine orders for various accounts into a block trade that may be affected

either in one transaction or in several discrete transactions over a period of time. In the latter case, the combined order may be executed at more than one price. Allocation decisions will be made fairly and equitably as to all clients. While commission costs may be generally lower, the contemporaneous purchase or sale of the same securities by client accounts could have detrimental effects on accounts, as such purchases or sales may affect the price paid or received or the size of the position obtainable by each. Certain clients may not be included in certain aggregated transactions because of cash availability, tax consequences or other factors.

For fixed income accounts KAMG will receive more than one bid from brokers before securities are sold within a portfolio. Based on the client's investment objectives and guidelines not all clients will buy the same fixed income securities.

Trade Rotation Policy

KAMG has a trading rotation policy when processing trade orders for each new aggregated trade. The brokers we use for execution can be broken into the following main groups:

- a. **Discretionary brokers.** KAMG has full discretionary authority to choose the brokers to execute client transactions, regardless of where the account(s) are held.
- b. **Directed brokers and captive brokers.** Under directed brokerage arrangements, as described above, the client directs us to place all or a portion of the client's trades through a specific broker. While not specifically directed, under captive brokerage arrangements, we trade through the client's custodian in order to limit additional trading costs charged to the client for trading away from the custodian broker. This is typically the case with brokers who discount custody and trading costs. Clients directing brokerage or arrangements where we are effectively limited to a specific broker reduce our ability to seek best execution for client transactions and are therefore placed after clients who give us full authority to choose brokers for their trades (see Directed Brokerage in this Item above). Clients should consider this policy when directing KAMG to place trades through a specific broker.
- c. **Wrap brokers.** Third party wrap fee programs often designate a specific broker(s) to execute trades for all clients in the program. Clients pay trading costs as part of the program fee, and by using another broker would cause the client to pay additional fees. Third party wrap programs may require KAMG to place trades on a system separate from our regular trading system, which may create operational inefficiency in trading these accounts, increasing the time it takes us to enter and complete trades. We believe this practice is consistent with other investment advisers managing wrap fee programs.
- d. **Restricted client accounts.** KAMG may exclude accounts in which clients have placed restrictions from the aggregated order to allow for additional time to review, whether the particular transaction would result in a violation of the client restriction. Consequently, the account will not benefit from any price or commission advantages that may have been achieved through aggregation. The account will be traded after other accounts and may receive an execution price that is higher or lower than aggregated

accounts. This may also be the case in intra-day large contributions or distributions requiring trimming or layering into an investment model strategy.

When executing a trade across multiple platforms, KAMG uses a rotational trading procedure. This procedure is in place, so that no individual account is potentially benefiting from the order in which trades are executed. However it also means that due to chance, a more or less favorable price may be obtained. This policy is implemented by rotating the order in which we execute the platforms that are involved in a specific trade. This is best demonstrated with the following example.

On Monday, KAMG is going to complete a trade that requires execution across all three of the trading platforms. The trader will first execute the trades on the Discretionary (Open) Broker / Non-Directed platform, then on the Captive / Directed platform, and lastly on the Wrap platform.

Then on Tuesday, if trade direction is given to the trading desk for the same accounts using all three platforms, the trader rotates the order so that he/she first executes the trades on the Captive / Directed platform, then on the Wrap platform, and finally on the Discretionary (Open) Broker / Non-Directed platform. With each successive trade communication, the platforms are then rotated. The trading desk for audit and compliance purposes maintains a journal of these records of previous rotations to ensure compliance with this policy. Our KAMG trade rotation process may be overridden at the discretion of the investment team, if such a trade and the current rotation should prove unfair or compromises the clients in aggregate due to extenuating circumstances such as market capitalization, liquidity etc.

Wrap Fee Programs

As discussed in Item 4, above, KAMG may be retained under a wrap fee billing arrangement offered by unaffiliated financial services firms, such as investment advisors and brokers. For example, at the request of a client, a broker might arrange for retention of KAMG as investment advisor, pay KAMG's management fee on behalf of the client, monitor and evaluate KAMG's performance, execute the client's portfolio transactions without separate commission charge, and provide custodial services for the client's assets, or provide any combination of these or similar services, for an all-inclusive fee paid by the client to the broker. In evaluating such a billing arrangement, a client should recognize that brokerage commissions for the execution of transactions in the client's account by that broker are not negotiated by KAMG. Transactions are effected without separate commissions, and a portion of the wrap fee may be considered as a fee in-lieu-of commissions. The client should also consider that, depending upon the level of the wrap fee charged, the amount of the portfolio activity in the client's account, the custodial, trading and execution costs, and other factors, the wrap fee may or may not exceed the aggregate cost of such services (i) if they were to be provided separately and (ii) if KAMG were free to negotiate commissions and to actively seek best price and execution of transactions for the client's account. Accounts managed by KAMG generally have a lower portfolio turnover rate than accounts managed in other investment styles.

Generally KAMG's advisory fee for a wrap fee account is paid to KAMG directly by the broker. KAMG does not receive any portion of the broker's remuneration. In certain cases, the broker may

receive a portion of KAMG's advisory fee. The custodial broker will generally act as the broker with respect to transactions placed by KAMG on the client's behalf and may, if permitted by law, act as principal or as agent for a wrap fee client while also representing another of its customers in the transaction.

Because the client pays a fee that covers commissions and other trading costs at the custodial broker, to avoid redundant expense, it is contemplated that KAMG will place substantially all portfolio trades with or through the custodial broker. This fee arrangement may cause KAMG not to search as actively among other brokers for best execution. In addition to transactional charges, including commissions, on trades placed with other brokers, a wrap fee generally does not cover, and the client pays separately for, among other things, bid-ask spreads, odd-lot differentials, exchange fees, transfer taxes, and money market fund fees, if applicable.

Trade Errors

As a fiduciary, KAMG has the responsibility to effect trade orders correctly, promptly and in the best interests of our clients. In the event any error occurs in the handling of any client transactions, due to KAMG's actions, or inaction, or actions of others, KAMG's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting KAMG in any way. If the error is the responsibility of KAMG, any client transaction will be corrected and KAMG will be responsible for any client loss resulting from an inaccurate or erroneous order. Generally an error resulting in a benefit to a client account, which cannot be corrected, will inure to the benefit of the client.

Item 13 - Review of Accounts

Typically, client portfolios are reviewed on an ongoing basis as a matter of practice rather than pursuant to a triggering factor. KAMG manages assets allocated to it by the client and/or the client's financial professional generally for long-term capital appreciation. KAMG's Investment Committee, which includes the firm's Chief Executive Officer IP (Kip) Knelman, supervises security selection and oversees portfolio reviews, with assistance from sales professionals and administrative personnel. The number of portfolios assigned to a manager varies depending on the size and nature of the portfolio.

Clients receive monthly or quarterly written account appraisals and performance reports from KAMG, including percentage gain or loss (time weighted calculations) and a year-to-date summary of realized gains and losses. KAMG communicates strategy through periodic newsletters, telephone calls, personal consultations, electronic communications and client meetings. Special reports may be prepared to meet specific client requirements. Clients also receive account statements from their custodian at least quarterly.

Item 14 - Client Referrals and Other Compensation

Other than the soft dollar benefits disclosed in Item 12, above, and as otherwise disclosed in this Item 14, KAMG does not receive commissions or any other economic benefit from a non-client in connection with providing advice to clients

Item 15 - Custody

KAMG has custody over the assets of Rancho Partners 1. Rancho is audited by an independent public accountant and audited financials are distributed to investors.

KAMG may be deemed to have custody to the extent that it may deduct advisory fees from a client's account. All clients must appoint a qualified custodian, such as a broker, bank or trust company, to have possession of the assets of the account, to settle transactions for the account and to accept instructions from KAMG regarding the assets in the account. All clients receive quarterly account statements directly from the custodian. KAMG urges clients to compare the statements they receive from KAMG to statements they received from the custodian.

Item 16 - Investment Discretion

In most cases, KAMG is granted a limited power of attorney as part of the investment management agreement to trade securities in managed accounts. Accordingly, KAMG generally exercises investment discretion as to securities purchased and sold and the amount of such transactions within the guidelines set forth in Item 8, above. Investment limitations may be placed by the client as outlined in the investment management agreement or an investment policy statement or client questionnaire.

Item 17 - Voting Client Securities

Unless otherwise agreed in writing, KAMG will vote proxy ballots for securities held in client accounts. KAMG will vote all proxies in the best interest of clients. Generally, KAMG supports management on proxy proposals, but compensation and control proposals in particular are scrutinized and opposed if not in the best interests of shareholders. Should an issuer proposal involve a material conflict of interest between KAMG and its clients, KAMG will follow the guidelines contained in its proxy voting policies and procedures designed to mitigate or eliminate the conflict including:

- voting the securities based on a pre-determined voting guideline if the application of that guideline to the matter presented involves little discretion on the part of KAMG;
- referring the proxy to the client or to a fiduciary of the client for voting purposes;
- suggesting that the client engage another party to determine how the proxy should be voted; or
- disclosing the conflict to the client and obtaining the client's direction to vote the proxies.

A complete copy of KAMG's proxy voting policies and procedures, as well as information as to how KAMG voted proxies on your behalf, is available upon written request.

Item 18 - Financial Information

KAMG does not have any financial condition that would impair our ability to meet contractual commitments to clients. A balance sheet is not required to be provided because we do not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

Item 19 - Additional Information

Legal Proceedings

KAMG will not act for clients in any legal proceedings, including bankruptcies or class actions, involving securities either held or previously held in accounts or the issuers of such securities. Clients are responsible for knowing the rights and terms of the securities in their account and for taking action to realize the value of advantageous transactions.

Succession Planning

IP (KIP) Knelman is the sole owner of KAMG. KAMG has an experienced management team and structure in place that provides continuity beyond any one individual. In the event that Mr. Knelman is no longer able to continue working, either because of his death or for some other reason, the current management team that clients count on now to guide their investment strategy will continue as it is today.

Rancho Partners LLC

KAMG may engage third party service providers on behalf of Rancho Partners that are related to investors in this fund. A conflict of interest exists in engaging, initially and on an ongoing basis, such persons, since it could appear that the third party service providers were chosen based on this relationship rather than on a Rancho Partners' best interests. KAMG monitors this potential conflict of interest to insure that the engagement of third party service providers is in the best interest of Rancho Partners.

Brochure Supplement (Part 2B of Form ADV) September 13, 2013

KNELMAN ASSET MANAGEMENT GROUP, LLC

IP (KIP) KNELMAN

225 South Sixth Street, Suite 1750
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(612)-341-8197

This brochure supplement provides information about Mr. Knelman that supplements the brochure for KNELMAN ASSET MANAGEMENT GROUP, LLC (KAMG). You should have received a copy of that brochure. Please contact Derek E. Jose, KAMG's Chief Compliance Officer, at (612) 852-0144 or derek@knelman.com if you did not receive KAMG's brochure or if you have any questions about the contents of this supplement.

KNELMAN ASSET MANAGEMENT GROUP, LLC Brochure Supplement – IP (KIP) Knelman

Item 2 – Educational Background and Business Experience

I.P. (Kip) Knelman

Senior Managing Partner, CEO

Mr. Knelman is the founder of Knelman Asset Management Group. He began his career in the investment industry in 1975, with the investment banking and brokerage firm of Kidder, Peabody and Company. Mr. Knelman was President and Chief Executive Officer of Investment Advisers, Inc. (IAI). He was instrumental in growing IAI's institutional pension fund management company from \$300 million to \$17 billion. Prior to becoming CEO, Mr. Knelman held positions of steadily increasing scope culminating in responsibility for all day-to-day functions of the company including investment management operations, marketing and sales, client service, mutual fund and trust operations, as well as administrative, legal and finance. His tenure at IAI was from 1979 to 1998. Mr. Knelman was a member of the board, Lloyd's Bank/TSB Asset Management Group (with over \$100 billion in assets under management worldwide). In 2000, Mr. Knelman started Knelman Asset Management Group and in 2005, Lazard Asset Management acquired the firm. In December 2008, Knelman reacquired the firm back from Lazard and once again is independent. Mr. Knelman has been involved in the Minneapolis/St. Paul community as a past and current board member of various non-profit organizations. Mr. Knelman has a graduate degree (MA) in International Relations from the University of Southern California and a BA in International Relations from the University of Minnesota. Mr. Knelman's birthdate is December 27, 1948.

Item 3 – Disciplinary Information

In July 2010, the SEC began an examination of KAMG. During the course of the examination, the SEC identified certain compliance deficiencies and violations and, as a result, began an administrative proceeding against KAMG and Kip Knelman. On October 28, 2013, an Order was issued by the SEC that detailed the terms of a settlement reached between KAMG, Kip Knelman, and the SEC. This matter has been resolved, and the following is a summary of the violations as well as the terms of that settlement.

The SEC found that KAMG and Kip Knelman violated sections of the Investment Advisers Act of 1940 ("IA Act") as follows:

- KAMG, the manager of Rancho Partners I, LLC ("Rancho"), a fund of private equity funds, and Kip Knelman violated IA Act Rule 206(4)-2 ("Custody Rule") by, among other things, failing to arrange annual surprise examinations of Rancho's assets, or alternatively, failing to provide Rancho's members with audited financial statements.
- KAMG and Kip Knelman used a distribution methodology that was contrary to Rancho's limited liability company agreement and private placement memorandum, and made improper cash distributions to some of Rancho's members in violation of IA Act Section 206(2), Section 206(4) and Rule 206(4)-8. Subsequent to the discovery of the improper

distributions by the SEC examination staff, KAMG took corrective action to re-allocate distributions among its members and correct the improper distributions.

- KAMG and Kip Knelman violated IA Act Rule 206(4)-7 (“Compliance Rule”) by failing to conduct annual reviews of the adequacy and effectiveness of KAMG’s compliance policies and procedures, and by failing to adopt and implement controls designed to safeguard Rancho’s assets.
- KAMG and Kip Knelman failed to accurately maintain certain books and records regarding transactions for Rancho mandated by the IA Act Rule 204-2, and failed to maintain certain required proxy voting materials.
- KAMG and Kip Knelman filed Forms ADV that falsely stated the firm did not have custody of client assets in violation of Section 207 of the IA Act.

To comply with the terms of the settlement, KAMG has agreed to cease and desist from committing or causing any violations relevant to this Order, and has hired a new Chief Compliance Officer (“CCO”), Derek E. Jose, to replace Kip Knelman as CCO. Derek Jose and Kip Knelman are required to complete thirty hours of compliance training related to the IA Act. KAMG has also hired a third party compliance consultant to provide guidance with respect to compliance reviews and tests. KAMG has agreed to pay a civil monetary penalty in the amount of \$60,000. Kip Knelman has agreed to pay a civil monetary penalty of \$75,000 and has been barred from acting as CCO of any financial services institution.

Item 4 – Other Business Activities

Mr. Knelman is not involved in any other investment-related business or occupation or any other business or occupation for compensation.

Item 5 – Additional Compensation

Mr. Knelman does not receive any economic benefits for providing advisory services, such as sales awards or bonuses for client referrals, from any person that is not a client.

Item 6 – Supervision

Mr. Knelman is the Chairman of KAMG. Although Mr. Knelman does not have a direct supervisor, his activities are subject to KAMG’s internal compliance policies and procedures, which are supervised by KAMG’s Chief Compliance Officer, Mr. Derek E. Jose. Mr. Knelman can be reached at (612) 341-8197 and Mr. Jose can be reached at (612) 852-0144.

Brochure Supplement (Part 2B of Form ADV) September 13, 2013

KNELMAN ASSET MANAGEMENT GROUP, LLC

DEREK E. JOSE

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(612)-852-0144

This brochure supplement provides information about Mr. Jose that supplements the brochure for KNELMAN ASSET MANAGEMENT GROUP, LLC (KAMG). You should have received a copy of that brochure. Please contact Derek E. Jose, KAMG's Chief Compliance Officer, at (612) 852-0144 or derek@knelman.com if you did not receive KAMG's brochure or if you have any questions about the contents of this supplement.

KNELMAN ASSET MANAGEMENT GROUP, LLC Brochure Supplement – Derek E. Jose

Item 2 – Educational Background and Business Experience

Derek E. Jose

Senior Portfolio Manager, CCO

Mr. Jose was born in 1980. He studied Economics at the University of New South Wales in Sydney, Australia for the summer of 2000, graduated from Vassar College in 2002 with a Bachelors Degree in Economics and Urban Studies, and went on to earn his MBA from the University of Wisconsin in 2009. Prior to joining KAMG in July of 2013, Mr. Jose was employed by Longbow Research in Independence, OH from June 2009 to July 2013 as a Senior Equity Analyst. From June 2008 to August 2008, Mr. Jose interned at RiverSource in Minneapolis, MN.

Item 3 – Disciplinary Information

There are no legal or disciplinary events to report.

Item 4 – Other Business Activities

Mr. Jose is not involved in any other investment-related business or occupation or any other business or occupation for compensation.

Item 5 – Additional Compensation

Mr. Jose does not receive any economic benefits for providing advisory services, such as sales awards or bonuses for client referrals, from any person that is not a client.

Item 6 – Supervision

Mr. Jose is directly supervised by Kip Knelman, Senior Managing Director and CEO of KAMG. Mr. Knelman can be reached at (612) 341-8197. All Mr. Jose's investment advice and activities are also subject to KAMG's internal compliance policies and procedures.