

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF: BRIAN KNIGHT AND KNIGHT ASSET  
MANAGEMENT LLC, THEIR OFFICERS,  
DIRECTORS, EMPLOYEES, AFFILIATES  
SUCCESSORS, AGENTS AND ASSIGNS

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) File No. 09000325  
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Final Order

TO THE RESPONDENTS: Brian Knight  
Knight Asset Management LLC  
9 Crystal Lake Road, Suite 250  
Lake in the Hills, IL 60156

c/o Michael Loprieno  
319 Dee, Suite C  
Bloomington, IL 60108

WHEREAS, the record of the above-captioned matter has been reviewed by the Secretary of State or his duly authorized representative;

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State;

WHEREAS, the proposed Findings of Facts and Conclusions of Law and Recommendation of the Hearing officer, John K. Ellis, in the above-captioned matter have been read and examined; and

WHEREAS, the proposed Findings of Fact are correct and are adopted by the Secretary of State as follows:

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1. The pleadings, Exhibits and testimony have been offered and received from the Department and the Respondents, and a proper record of all proceedings has been made and preserved as required by law.
2. The Hearing Officer has ruled on all motions and objections timely made and submitted.
3. The Hearing Officer and the Secretary of State Securities Department have jurisdiction over the parties herein and the subject matter dealt with herein, due and proper notice having been previously given as required by statute in this Matter.
4. Respondent Brian Knight is an Illinois resident and Chief Executive Officer and Member of Knight Asset Management, LLC.
5. The Respondent Brian Knight is also the sole and managing Member of Strategic Lending Solutions, LLC and the President of K&M Oil Company, Inc.
6. The Respondent Knight Asset Management, LLC is an Illinois registered Limited Liability Company. Respondent Brian Knight is its sole Member.
7. Strategic Lending Solutions, LLC is an Illinois registered Limited Liability Company.
8. K&M Oil Company, Inc. is an Illinois registered Corporation.
9. The Respondent Brian Knight is the majority owner of K&M Oil Company, Inc.
10. SLS Fund, LLC is an Illinois registered Limited Liability Company currently not in good standing. Knight is one of two members of the SLS Fund, LLC.
11. All of the above business entities are operated from and have the same business address: 9 Crystal Lake Rd, Suite 250 Lake in the Hills, Illinois 60156.

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12. On or about January 14, 2011, Knight Asset Management, LLC submitted a filing for an application to register securities as a Small Corporate Offering pursuant to Section 5.B(7) of the Act with the Department.
13. The above application was signed and submitted by Respondent Brian Knight.
- 14.. Pursuant to Section 5.B(7) and Rule 525 of the Rules and Regulations of the Illinois Securities Department, 14 Admin Code 130.100 et seq., Knight Asset Management, LLC submitted as part of its application, a proposed Offering Circular (Prospectus) to be provided to prospective investors.
15. This offering circular provided and disclosed (among other matters) material information regarding the investment, risk factors and initial assets of the investment.
16. On June 2, 2011, after making certain corrections, additions and changes to the Offering Circular and other application documents, the application, including the Offering Circular were accepted and registered by the Department.
17. Upon registration, Respondents Brian Knight and Knight Asset Management, LLC offered for sale Preferred Membership Units of Knight Asset Management, LLC to investors.
18. The above-referenced Preferred Member Units are securities as that term is defined pursuant to Section 2.1 of the Act.
19. On Page 8 of the Offering Circular for Knight Asset Management, LLC, the Respondents state that Knight Asset Management LLC will be the manager of the SLS Fund, LLC.

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20. The Offering Circular further states that the SLS Fund, LLC to be managed by Knight Asset Management, LLC acquired certain assets from Knight Asset Management, LLC valued at \$1,774,000. Knight Asset Management, LLC transferred these assets in return for 1,774 shares of the SLS Fund, LLC valuing the shares of the SLS Fund, LLC at \$2.49 per share.
21. The transferred assets are itemized on Page 13 of the Offering Circular. One of the Assets acquired by the SLS Fund, LLC from Knight Asset Management, LLC is described as Oil Note 1 and the following additional information is provided for Oil Note 1:  
Purchase Price \$86,000, Cost Basis \$86,000, Appreciation \$449,000, Net Equity \$535,000 and Total Value \$535,000. No other information is provided in the Offering Circular regarding Oil Note 1.
22. Based upon information provided to the Department by Knight Asset Management, LLC, Oil Note 1 is a promissory note issued by K & M Oil, Inc. to Strategic Lending Solutions, LLC on December 1, 2010 in the amount of \$86,000. The records shows that Oil Note 1 was a revolving line of credit with a balance of \$86,000 and with a balance that increased significantly.
23. K & M Oil, Inc. is also known as K & M Oil Company, Inc.
24. The K & M Oil, Inc. promissory note matures on December 15, 2015 with an interest rate of 7% per annum. It is unsecured by any collateral. However, it has the personal guarantees of Brian Knight and Jeffrey Meyer. In addition, the Respondents' Exhibits 1 and 2 are copies of two separate oil field agreements securing the Promissory Note. The agreements were recorded during 2011 by the Respondent Brian Knight.
25. The record shows that the Promissory Note was originally executed on October 12, 2009, was refinanced on December 1, 2010 to provide a longer

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term, and that nine days after the refinancing of the K & M Oil , Inc. Promissory Note, on December 10, 2010, the Respondent Brain Knight as the sole managing member of Strategic Lending Solutions, LLC assigned the K & M Oil, Inc. Promissory Note to Knight Asset Management, LLC.

26. The record shows that from December 1, 2010, the date of the refinancing of the K & M Oil, Inc. Promissory Note, to the date of registration and offer to sell of the Preferred Member Units by Knight Asset Management, LLC, not interest payments were made by K & M Oil, Inc. as required under its Promissory Note to Strategic Lending Solutions, LLC because Strategic Lending Solutions, LLC agreed to defer the payments during the time period that necessary rehabilitation work was performed on one of the oil fields prior to the sale of the oil field.
27. The record shows that the Promissory Note had a value in excess of \$535,000.00 due to the value of the underlying collateral securing the Promissory Note and that the Promissory Note was secured by the collateral of the two oil fields.
28. Section 12.E of the Act provides, *inter alia* that it shall be a violation of the Act for any person to make, or cause to be made in any application, report or document filed under the Act or any rule or regulation made by the Secretary of State pursuant to the Act, any statement which was false or misleading with respect to any material fact.
29. Section 12.F of the Act provide, inter alia, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
30. Section 12.G of the Act provides, inter alia, that it shall be a violation of the Act for any person to obtain money or property through the sale of

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securities by means of any untrue statement of material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

31. Section 12.H of the Act provides, inter alia, that it shall be a violation of the Act for any person to sign or circulate any statement, prospectus or other paper or document required by any provision of the Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.
32. Section 12.I of the Act provide, inter alia that it shall be a violation of the Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
33. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated any subsection of subsections B-K of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.
34. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose an order of censure and/or a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
35. The Department's burden of proof is the preponderance of evidence.
36. The record does not support a finding that the actions, statements, representations and/or omissions of the Respondents constitute self-dealing or willful or intentional violations of subsections

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E, F, G, H and I of Section 12 of the Act. However, the record does show that the actions, statements, representations, and/or omissions of the Respondents constitute negligent violations of the Act based upon a lack of attention to detail and formalities required in the offering of securities in this State.

WHEREAS, the following Additional Finding of Fact is made and adopted: Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.

WHEREAS, the proposed Conclusions of Law are correct and are adopted by the Secretary of State as follows:

1. The negligent actions, statements, representations, and omissions of the Respondents made, or caused to be made, in any application, report or document filed under the Act or any rule or regulation made by the Secretary of State pursuant to the Act, by any statement which was false or misleading with respect to any material fact in accordance with the provisions of the Act, are violations of Section 12.E of the Act.
2. By virtue of the foregoing and because of the Findings of this Order, the pleading, the Exhibits admitted as Secretary of State Exhibits Numbers 1-19, inclusive, the Exhibits admitted as Respondents Exhibits Number 1-4, inclusive, and the testimony, the Respondents are subject to an Order of public censure.
3. The entry of a final written order that publicly censures the Respondents is proper in this Matter, given the negligent actions, statements, representations and omissions of the Respondents as described in the pleading, Exhibits and testimony.

WHEREAS, the following additional Conclusion of Law is made and adopted: Based upon the Adopted Findings of Fact, the Respondents have violated Section 12.A of the Act.



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WHEREAS, the proposed Recommendation of the Hearing Officer is adopted by the Secretary of State.

NOW THEREFORE IT IS HEREBY ORDERED: That pursuant to the foregoing Findings of Fact, Conclusions of Law, and the Recommendation of the Hearing Officer, Brian Knight and Knight Asset Management, LLC are publicly CENSURED.

ENTERED: This 9<sup>th</sup> day of June, 2014

   
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JESSE WHITE  
Secretary of State  
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953, as amended, 815 ILCS 5/1 et seq. (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law, 735 ILCS 5/3-101 et seq. and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. I, Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

Attorney for the Secretary of State:  
David Finnigan  
Illinois Securities Department  
300 W. Jefferson St., Suite 300A  
Springfield, Illinois 62701  
Telephone: (217) 785-4947