

SANDS BROTHERS ASSET MANAGEMENT, LLC

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This brochure provides information about the qualifications and business practices of Sands Brothers Asset Management, LLC. If you would like to request a copy of this brochure, or if you have any questions about its contents, please contact us at (646) 468-4255 and/or www.sandsbros.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Sands Brothers Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Form ADV Part 2 requires registered investment advisers to amend their Firm Brochures when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to provide you with a description of the material changes. We will also send you annual updates of this updated Firm Brochure within 120 days of the close of our business' fiscal year. Copies of the most recent version of this form are available at any time, without charge.

The following is a description of the material changes that were made to in the annual amendment to the Firm Brochure filed on March 31, 2017 since its prior annual amendment on March 30, 2016:

A. The location of the principal office was changed to 745 5th Avenue, Suite 500, New York, NY 10151. The telephone number was changed to (646) 768-4255. In addition, other information not specified in this summary has been revised. Consequently, we encourage you to read this Firm Brochure in its entirety.

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Item 4. Advisory Business

A.

Sands Brothers Asset Management, LLC (“SBAM”) has been an SEC registered investment adviser since July 13, 1998. Registration does not imply a certain level of skill or training.

The principal owners of SBAM are The Julio Trust and The Targhee Trust.

B.

SBAM currently provides investment advisory services to a group of venture capital funds (the “Venture Funds”), two substantially identical asset-based lending funds (the “Genesis I Fund” and the “Genesis II Fund”), and a distressed fund (the “Vantage Point Fund”, which together with the Venture Funds, the Genesis I Fund and the Genesis II Fund, the “Funds”).

The Venture Funds

SBAM serves as advisor to the Venture Funds, which are closed to new investors. The Venture Funds are: Sands Brothers Venture Capital LLC, Sands Brothers Venture Capital II LLC, Sands Brothers Venture Capital III LLC, Sands Brothers Venture Capital IV LLC, 280 Ventures LLC and Katie and Adam Bridge Partners LLC. The Venture Funds' investments are in a number of sectors, including, without limitation, technology, healthcare, business services, finance and transportation.

Each Venture Fund other than 280 Ventures LLC and Katie and Adam Bridge Partners LLC pays to SBAM an annual advisory fee of up to 2%-2.5% of assets under management, generally payable quarterly in arrears, but for one Venture Fund payable monthly in advance. However, no management fee is accrued on assets of a Venture Fund comprised of securities of Triage Partners LLC (which are held by Sands Brothers Venture Capital III LLC and Sands Brothers Venture Capital IV LLC) and OptMed, Inc. (which are held by each Venture Fund other than 280 Ventures LLC and Katie and Adam Bridge Partners LLC). 280 Ventures LLC has not accrued, nor has SBAM collected, a management fee since 2012 (other than \$1600 which is being reversed). Katie and Adam Bridge Partners LLC has not accrued, nor has SBAM collected, a management fee since 2014. Subject to a high water mark, the member-manager of each of the Venture Funds receive an annual performance allocation ranging from 5% to 20% of the net profits of such fund, subject in certain situations to the prior achievement of a pre-determined rate of return for the fund’s members. Such fees are generally not negotiable, and there are no specific provisions regarding refunds or terminations prior to expiration. The member-managers are affiliates of SBAM, and the executive officers of SBAM also serve as the managers of such member-managers.

In October 2010 the manager of Sands Brothers Venture Capital LLC delivered a letter to the Fund’s investors informing them that the manager had determined to wind down the Fund, and that, in connection therewith, the Fund would be making a series of pro-rata distributions as the Fund received liquidity from its investments.

SBAM formerly provided investment advisory services to Select Access III LLC. Currently, Select Access III LLC has liquidated all its investments and transmitted liquidating proceeds to investors.

The Genesis I and II Funds

SBAM is also advisor to Genesis Merchant Partners, LP (the “Genesis I Fund”) and Genesis Merchant Partners II, LP (the “Genesis II Fund”). The Genesis I Fund is a private investment fund the investment objective of which is to seek consistent absolute returns primarily by making strategic and opportunistic loans, on a secured basis, to domestic or foreign borrowers, including small and micro-cap public companies, private companies and special purpose real estate and other niche business entities. The Genesis I Fund may also opportunistically purchase assets for investment and take controlling positions otherwise in assets. The Genesis I Fund seeks to obtain returns through coupon payments on loans, short-term capital gains, long-term investment gains, asset realization and various fees, equity and warrants paid by borrowers in connection with financing received from the Genesis I Fund.

In addition to managing the Genesis I Fund and its investments, SBAM, the General Partner of the Genesis I Fund, the principals of SBAM and their respective affiliates may provide management advice and consulting services to the portfolio companies of the Genesis I Fund, and/or serve as officers and/or directors of such portfolio companies, for compensation (and such compensation will not be used to offset management fees or performance allocations earned by the SBAM and the Genesis I Fund General Partner, respectively).

The Genesis I Fund pays to SBAM a monthly management fee equal to 2% annually, and, subject to performance, makes a 20% annual performance allocation to the general partner of the Genesis I Fund, which is owned by related persons of SBAM, subject to a high water mark and an 8% hurdle. Such fees are generally not negotiable, and there are no specific provisions regarding refunds or terminations prior to expiration.

Prospective investors in the Genesis I Fund should review the offering memorandum for the Genesis I Fund for a more complete description of the terms of the fund and a description of certain risks of investing in the fund.

The Genesis II Fund commenced operations in May 2009, and employs substantially the same investment strategy as the Genesis I Fund and operates under substantially the same terms as described above. The operational fee previously disclosed in prior Firm Brochures is no longer charged to the net assets of the Genesis II Fund effective February 1, 2017.

Prospective investors in the Genesis II Fund should review the offering memorandum for the Genesis II Fund for a more complete description of the terms of the fund and a description of certain risks of investing in the fund.

In February 2014 the investment advisor of the Genesis I and Genesis II Funds delivered a letter to the Funds' investors informing them that the general partner had determined to suspend withdrawals from the Funds.

Vantage Point Partners, LP

Vantage Point Partners, LP ("Vantage Point Fund") commenced operations in March 2009. Subject to the developments discussed below, the Vantage Point Fund invests primarily in high yield and distressed debt.

The Vantage Point Fund pays to SBAM a monthly management fee equal to 2% annually, and, generally payable monthly in advance, subject to performance, will make a 20% annual performance allocation to the general partner of the Vantage Point Fund, which is owned by related persons of SBAM, subject to a high water mark. The operational fee previously disclosed in prior Firm Brochures is no longer charged to the net assets of the Vantage Point Fund since 2016.

In December 2011 the general partner of the Vantage Point Fund delivered a letter to the Fund's investors informing them that the general partner had determined to wind down the Fund, and that in connection therewith the Fund would be making a series of pro rata distributions as the Fund received liquidity from its investments.

SBAM formerly provided investment advisory services to Select Access LLC, Select Access (Institutional) LLC, Select Access III LLC and to SB Opportunity Technology Institution LLC. Currently, Select Access III LLC and SB Opportunity Technology (Institutional) LLC have liquidated all their respective investments and transmitted liquidating proceeds to investors. Currently, Select Access LLC and Select Access (Institutional) LLC are in liquidation in that, other than with respect to interests in certain underlying funds for which final redemption requests have been submitted, they have liquidated all their respective investments. As soon as practicable after receipt of redemption proceeds, the funds will distribute liquidating proceeds to investors.

C.

SBAM provides advisory services that are appropriate to the strategies employed by the various Funds.

The governing documents of the Funds provide guidance on the type of investing employed with respect to the respective Funds.

D.

SBAM does not participate in wrap fee programs or provide portfolio management services.

E.

As of September 12, 2017, SBAM provided investment advisory services to approximately \$33,071,962 of client assets on a discretionary basis, and \$0 of client assets on a non-discretionary basis.

Item 5. Fees and Compensation

A.

See Item 4.B. above.

B.

Fees are calculated and deducted from client assets monthly or quarterly by the administrator of each Fund. See Item 4.B. above.

C.

No fees are charged other than those described in Item 4.B. above. Clients will also incur brokerage and other transaction costs. See also Item 12.

D.

Fees may be paid to SBAM in advance. SBAM will provide a pro rata refund to the Fund in the event it does not manage the assets of the Fund for the full quarter. See also Item 4.B. above.

E.

No supervised person of SBAM accepts compensation for the sale of securities or other investment products in connection with SBAM's advisory services.

Item 6. Performance-Based Fees and Side-by-Side Management

As described above in Item 4.B. above, SBAM affiliates receive performance-based fees. SBAM may be deemed to have conflicts of interest arising from its management of the Funds, including that SBAM may have an incentive to favor the Fund due to the Fund's performance fee structure. SBAM allocates trades based on the respective strategies of the Funds and the related suitability and does not take into account the fee structures of the respective clients in connection with trade allocation.

Performance based fees can only be offered to "qualified clients." The term *qualified client* generally means:

- i. A natural person who or a company that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;
- ii. Pursuant to section 275.205-3(d)(1)(A) a natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:
 - 1. Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse, but excluding the primary residence) of more than \$2,000,000 at the time the contract is entered into; or
 - 2. Is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the contract is entered into; or
- iii. A natural person who immediately prior to entering into the contract is:
 - 1. An executive officer, director, trustee, general partner, or person serving in a similar capacity, of the investment adviser; or
 - 2. An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

Item 7. Types of Clients

SBAM generally provides investment advice to pooled investment vehicles such as the Funds, as described above.

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

A.

SBAM uses a variety of methods of analysis and investment strategies in formulating investment advice. Strategies are discussed above in Item 4.B. Methods of analysis include asset valuation, enterprise valuation, securities valuation, cash flow analysis, EBITDA analysis and other standard investment analysis metrics. Investing in securities involves risk of loss that clients should be prepared to bear.

B.

The following risk factors enumerated below may not be a complete enumeration thereof and there may be other risk factors not cited herein below that could have a material adverse effect on the investment business of SBAM.

Genesis I and II Funds (together, the “Genesis Partnership”)

Prospective investors in the Genesis Partnership should review the offering memorandum for the Genesis Partnership for a more complete description of the terms of the fund and a description of certain risks of investing in the fund.

Genesis Partnership Risks

Dependence upon the General Partner, SBAM and the Principals. The Genesis Partnership’s success will depend on the management of the General Partner and SBAM, which are controlled by SBAM’s principals. If any one or more of the principals should cease to participate in the Genesis Partnership’s business, the Genesis Partnership’s ability to select attractive investments and manage its portfolio could be severely impaired.

Limited Operating History. The Genesis Partnership commenced operations in October 2007, and therefore has limited operating history upon which prospective investors may evaluate the Genesis Partnership’s future performance. Although SBAM has been in operation since July 1998, any prior performance of SBAM is not necessarily indicative of results it may obtain in the future for the Genesis Partnership.

Limited Liquidity of Interests. An investment in the Genesis Partnership involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for the interests in the Genesis Partnership, and no market is expected to develop. Additionally, transfers are subject to the consent of the General Partner, which consent may be granted or withheld in the General Partner’s sole discretion. Consequently, Limited Partners will be unable to liquidate their interests except by withdrawing from the Genesis Partnership in accordance with the Genesis Partnership Agreement. Limited Partners may be unable to liquidate their investment promptly in the event of an emergency or for any other reason. Although a Limited Partner may attempt to increase its liquidity by borrowing from a bank or other institution, interests may not readily be accepted as collateral for a loan. In addition, the transfer of an interest as collateral or otherwise to achieve liquidity may result in adverse tax consequences to the transferor.

Lack of Registration. The interests in the Genesis Partnership have neither been registered under the Securities Act of 1933 (the “Securities Act”) nor under the securities or “blue sky” laws of any state and, therefore, are subject to transfer restrictions.

Withdrawal of Capital. Limited Partners right to withdraw their interest is restricted. For example, Limited Partners are subject to an early withdrawal fee, must provide notice before withdrawing interests and may only withdraw on specified withdrawal dates. The General Partner may also suspend withdrawals under certain circumstances.

Substantial withdrawals by investors within a short period of time could require the Genesis Partnership to liquidate investments more rapidly than would otherwise be desirable, possibly reducing the value of the Genesis Partnership’s assets and/or disrupting the Genesis Partnership’s investment strategy. Reduction in the size of the Genesis Partnership could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Genesis

Partnership's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

Limitations on Withdrawals. The General Partner, in its discretion, may suspend or postpone the payment of any withdrawals from capital accounts (i) during the existence of any state of affairs which, in the opinion of the General Partner, makes the disposition of the Genesis Partnership's investments impractical or prejudicial to the Partners, or where such state of affairs, in the opinion of the General Partner, makes the determination of the price or value of the Genesis Partnership's investments impractical or prejudicial to the Partners; (ii) where any withdrawals or distributions, in the opinion of the General Partner, would result in the violation of any applicable law or regulation; or (iii) for such other reasons or for such other periods as the General Partner may in good faith determine. In the event that Limited Partners, in the aggregate, request withdrawals of 15% or more of the aggregate balances of the Genesis Partnership's capital accounts as of any withdrawal date, the requested amounts may, in the sole discretion of the General Partner, be reduced to an amount equal to 15% of the aggregate capital account balances of the Genesis Partnership as of such date, and satisfied on a pro rata basis, based on the respective amounts of requested withdrawals of capital by each withdrawing Limited Partner. In the interim, all of the remaining capital in such Limited Partner's capital account shall remain subject to the performance of the Genesis Partnership.

Withdrawals, Resignation and Transfers by General Partner. The General Partner and/or its principals and affiliates may withdraw all or any of the value in their respective capital accounts at any time, from time to time, without the consent of or notice to any of the Limited Partners. The Genesis Partnership Agreement provides that the General Partner may resign at any time upon 30 days' notice to the Limited Partners. Upon such resignation of the General Partner, or upon its bankruptcy or dissolution, the remaining Limited Partners have the right to appoint a substitute general partner; otherwise, the Genesis Partnership shall be dissolved. The Genesis Partnership Agreement also permits the General Partner to appoint additional general partners and to transfer its general partner interest to an affiliate without the consent of Limited Partners.

General Partner's Right to Dissolve the Genesis Partnership or Expel Limited Partner. The General Partner has the right to dissolve the Genesis Partnership at any time upon 30 days' notice to the Limited Partners. Accordingly, there is a risk that if the Genesis Partnership's assets become depleted and, as a result, the management fee and performance allocation become minimal, the General Partner may elect to dissolve the Genesis Partnership and distribute its remaining assets. The General Partner also has the right to expel a Limited Partner at any time, with or without cause, upon five days' notice. Such mandatory withdrawal or expulsion could result in adverse tax and/or economic consequences to affected Limited Partners. No person will have any obligation to reimburse any portion of a Limited Partner's losses – upon dissolution, expulsion, withdrawal or otherwise.

Operating Deficits. The expenses of operating the Genesis Partnership (including the management fee) may exceed its income, thereby requiring that the difference be paid out of the Genesis Partnership's capital, reducing the Genesis Partnership's investments and potential for profitability.

No Distributions. The General Partner has suspended redemptions and does not currently intend to make distributions to the Limited Partners. Any limited cash that might otherwise be available for distribution will be utilized for payment of Genesis Partnership obligations. However, in the event an asset is sold and significant cash is received that is in excess of obligations, a distribution may then be a possibility.

Investment Expenses. The investment expenses (e.g., expenses related to the due diligence and execution costs (including legal fees) of investments, and commissions to brokers related thereto) of the Genesis Partnership, as well as other applicable fees, may in the aggregate constitute a high percentage relative to other investment entities. The Genesis Partnership will bear these costs regardless of its profitability.

Performance Allocation. The performance allocation creates an incentive for SBAM, an affiliate of the General Partner, to effect transactions in investments that are riskier or more speculative than would be the case in the absence of such an allocation. Additionally, since the performance allocation is calculated on a basis which includes unrealized appreciation of the Genesis Partnership's assets, it is possible that the General Partner may receive a performance allocation based (in whole

or in part) upon unrealized appreciation in particular positions which is not in fact achieved upon eventual disposition of such investments.

Broad Discretionary Power to Choose Investments and Strategies. SBAM has broad discretionary power to decide what investments the Genesis Partnership will make and what strategies it will use. While SBAM currently intends to use a structured credit strategy, it is not obligated to do so, and it may choose any other investments and strategies that it believes are advisable.

No Participation in Management. Except as provided in the Investment Advisory Agreement with SBAM (the “Investment Advisory Agreement”), the management of the Genesis Partnership’s operations is vested solely in the General Partner. The Limited Partners have no right to take part in the conduct or control of the business of the Genesis Partnership. In connection with the management of the Genesis Partnership’s business, each of the General Partner, SBAM and the principals will devote only such time to Genesis Partnership matters as it, in its sole discretion, deems appropriate.

Limitation of Liability and Indemnification of the General Partner, SBAM and Affiliates. The Genesis Partnership Agreement provides that the General Partner (and, in certain cases, its principals, members, managers, officers, employees, agents and affiliates) shall be indemnified against, and shall not be liable for, any loss or liability incurred by such persons relating to the business of the Genesis Partnership, so long as such loss or liability did not arise from conduct determined by a final, non-appealable court of competent jurisdiction to constitute gross negligence or willful misconduct. The Investment Advisory Agreement also provides similar protections to SBAM. Therefore, a Limited Partner may have a more limited right of action against the General Partner and SBAM (and certain of their respective affiliates) than a Limited Partner would have had absent these provisions in the Genesis Partnership Agreement and Investment Advisory Agreement.

No Minimum Size of Genesis Partnership. The Genesis Partnership may begin and maintain operations without attaining or maintaining any particular level of capitalization. At low asset levels, the Genesis Partnership may be unable to make its investments as fully as would otherwise be desirable or to take advantage of potential economies of scale. It is possible that even if the Genesis Partnership operates for a period with substantial capital, investors’ withdrawals could diminish the Genesis Partnership’s assets to a level that does not permit the most efficient and effective implementation of the Genesis Partnership’s investment program. As a result of losses or withdrawals, the Genesis Partnership may not have sufficient capital to diversify its investments to the extent desired or currently contemplated by SBAM.

Portfolio Valuation. Valuations of the Genesis Partnership’s portfolio, which will affect the amount of the management fee and the performance allocation, involve significant uncertainties and determinations based on judgments. Because of the inherent uncertainty of valuing investments not traded on public exchanges, such as the investments that are expected to constitute the large majority of the Genesis Partnership’s portfolio, the valuation may differ significantly from the value that will ultimately be realized on such investments, or the value that would have been used had a public market for the investment existed, and these differences could be material. Even third-party pricing information may at times not be available regarding certain of these investments. A disruption in the secondary markets for the Genesis Partnership’s investments may limit the ability of the Genesis Partnership to obtain accurate market quotations for purposes of valuing its investments. In addition, material events occurring after the close of a secondary market upon which a portion of the investments of the Genesis Partnership are traded may require SBAM to make a determination of the effect of a material event on the value of the investments traded on the market for purposes of determining the value of the Genesis Partnership’s investments on a valuation date. Further, because of the overall size and concentrations in particular markets and maturities of positions that may be held by the Genesis Partnership from time to time, the liquidation values of the Genesis Partnership’s securities and other investments may differ significantly from the interim valuations of these investments derived from the valuation methods described herein. If the Genesis Partnership’s valuation should prove to be incorrect, the value of the Genesis Partnership’s investments could be materially and adversely affected.

In the event the General Partner is provided with, or otherwise comes into possession of, information which leads the General Partner to determine that one or more valuations of Genesis Partnership assets for a prior period are inaccurate, the General Partner may adjust or amend such prior valuations as the General Partner deems appropriate, and adjust or amend any reports or statements of the Genesis Partnership (whether or not previously issued) with respect to such prior periods.

Liability of a Limited Partner for the Return of Capital Contributions. If the Genesis Partnership should become insolvent, the Partners may be required to return any property distributed to them at the time the Genesis Partnership was insolvent, and forfeit their capital accounts.

Delayed Schedule K-1s. The General Partner will endeavor to provide a Schedule K-1 to each Limited Partner for any given calendar year prior to April 15 of the following year. In the event that the Schedule K-1 is not available by such date, a Limited Partner will have to pay taxes based on an estimated amount.

Lack of Insurance. The assets of the Genesis Partnership are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by the United States Federal Deposit Insurance Corporation and such deposits are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, the Genesis Partnership may be unable to recover all of its funds.

Possible Agreements with Certain Limited Partners and Other Investors. The Genesis Partnership and the General Partner may from time to time enter into agreements with one or more Limited Partners whereby in consideration for agreeing to invest certain amounts in the Genesis Partnership and/or other consideration deemed material by the General Partner, such Limited Partners may be granted favorable rights not afforded to other Limited Partners or investors generally. Such rights may include one or more of the following: special rights to make future investments in the Genesis Partnership, the other investment vehicles or managed accounts, as appropriate; special withdrawal rights, relating to frequency, notice and/or other terms; rights to receive reports from the Genesis Partnership on a more frequent basis or that include information not provided to other Limited Partners (including, without limitation, more detailed information regarding positions); rights to receive reduced rates of the performance allocation and/or management fee; rights to receive a share of the performance allocation, management fee or other amounts earned by the General Partner or its affiliates; and such other rights as may be negotiated between the Genesis Partnership and such Limited Partners. The Genesis Partnership and the General Partner may enter into such agreements without the consent of or notice to the other Limited Partners.

In addition, the General Partner may from time to time enter into similar agreements with one or more managed account investors. It should be noted that managed account investors are typically provided with additional transparency with respect to the investment positions of the managed accounts and may be provided with real-time, direct access to the managed accounts portfolio positions, on a negotiated, case-by-case basis.

Market Risks

Competition. The securities industry and the varied strategies and techniques to be engaged in by SBAM are extremely competitive and each involves a degree of risk. The Genesis Partnership will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

Market Volatility. The profitability of the Genesis Partnership substantially depends upon SBAM correctly assessing the movements of interest rates and the future price movements of the various classes of assets that will serve as collateral, and in equity, fixed income, commodities and other markets. The Genesis Partnership cannot guarantee that SBAM will be successful in accurately predicting price and interest rate movements.

Genesis Partnership's Investment Activities. The Genesis Partnership's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by SBAM. Such factors include a wide range of economic, political, competitive and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The markets may be volatile, which may adversely affect the ability of the Genesis Partnership to realize profits. As a result of the nature of the Genesis Partnership's investing activities, it is possible that the Genesis Partnership's financial performance may fluctuate substantially from period to period. In particular, at any given time a number of investments in the Genesis Partnership's portfolio may be the subject of ongoing workouts and restructurings. While workouts and restructurings may represent opportunities for the Genesis Partnership, there can be no guarantee that such workouts and restructurings will enhance returns or succeed, or that full liquidity will be available upon a withdrawal request.

Concentration of Investments. SBAM's investment program contemplates a focused investment portfolio – both in terms of the aggregate number of investment positions to be held in the Genesis Partnership's portfolio and, potentially, the number of sectors or industries to which such positions relate. SBAM does not subject the portfolio to any formal policies regarding diversification with respect to particular borrowers, geographic regions, industries, property types or otherwise. The concentration of the Genesis Partnership's portfolio would subject the Genesis Partnership to a greater degree of risk with respect to the failure of one or a few investments, or with respect to economic downturns in relation to an individual industry, borrower, region or property type.

Inflation Risk. The Genesis Partnership's portfolio is currently expected to consist of mostly fixed income investments. Accordingly, the Genesis Partnership faces inflation risk, which results from the variation in the value of cash flows from a financial instrument due to inflation, as measured in terms of purchasing power. For example, if the Genesis Partnership purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Genesis Partnership is exposed to inflation risk because the interest rate the obligor promises to pay is fixed for the life of the financial instrument. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

Market or Interest Rate Risk. The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If the Genesis Partnership holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Genesis Partnership's performance. However, if the Genesis Partnership desires to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Genesis Partnership.

General Credit Risks Associated with Loans. While loans originated by the Genesis Partnership or its affiliates are intended to be collateralized, the Genesis Partnership may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are all of great importance. The Genesis Partnership cannot guarantee the adequacy of the protection of the Genesis Partnership's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Genesis Partnership cannot assure that claims may not be asserted that might interfere with enforcement of the Genesis Partnership's rights. In the event of a foreclosure, the Genesis Partnership or an affiliate of the Genesis Partnership may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Genesis Partnership. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Lower Credit Quality Loans. There are no formal restrictions on the credit quality of the Genesis Partnership's loans. Loans may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of these loans may have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

Ability to Acquire Loans on Advantageous Terms; Competition and Supply. The Genesis Partnership's success will depend, in part, on the Genesis Partnership's ability to acquire loans on advantageous terms. In purchasing loans, the Genesis Partnership will compete with a broad spectrum of lenders, many of which have substantially greater financial resources and are more well-known than the Genesis Partnership. Increased competition for, or a diminishment in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

Fraud. Of paramount concern in originating and making loans is the possibility of material misrepresentation or omission on the part of a borrower, originator or third party service provider. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Genesis Partnership to perfect or effectuate a lien on the collateral securing the loan. The Genesis Partnership relies to some extent upon the accuracy and completeness of representations made by borrowers, originators and third party service providers (as applicable), but cannot

guarantee that such representations are accurate or complete. Under certain circumstances, payments to the Genesis Partnership may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Claims of Lender Liability and Equitable Subordination. Because of the nature of certain of the Genesis Partnership's lending practices, the Genesis Partnership could be subject to allegations of lender liability or "equitable subordination." The common law principle of lender liability is based upon the premise that an institutional lender has violated an implied or contractual duty of good faith and fair dealing owed to the borrower or a fiduciary duty owed to the borrower, its other creditors or shareholders as a result of the lending institution assuming a certain degree of control over the borrower through any loans that it has made. Moreover, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court, in its discretion, may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." A significant number of the Genesis Partnership's investments may involve investments in which the Genesis Partnership will not be the lead creditor. It is possible for claims of lender liability or equitable subordination to affect the Genesis Partnership's investments without the Genesis Partnership being directly involved.

Real Estate Risk. The value of the real estate which underlies mortgage loans is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from liquidation. In addition, adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain equity in the property declines. Furthermore, the properties which will secure loans originated or purchased by the Genesis Partnership may be suffering varying degrees of financial distress or may be located in economically distressed areas. Loans may become non-performing for a wide variety of reasons and may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. However, even if such restructuring were successfully accomplished, a risk exists that upon maturity of such mortgage loan, replacement "take-out" financing will not be available.

It is possible that the Genesis Partnership may find it necessary or desirable to foreclose on certain real estate loans. The real estate foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against the Genesis Partnership, including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower's position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the mortgaged property and may result in disrupting the ongoing leasing, management and operation of the property.

Real Estate Industry Considerations. The Genesis Partnership is expected to make loans collateralized by real estate. Therefore, an investment in the Genesis Partnership is subject to certain risks associated with the real estate industry in general. These risks include, among others: (i) possible declines in the value of real estate; (ii) risks related to general and local economic conditions; (iii) possible lack of availability of mortgage funds; (iv) overbuilding; (v) extended vacancies of properties; (vi) increases in competition, property taxes and operating expenses; (vii) changes in zoning laws; (viii) costs resulting from the cleanup of, and liability to third parties for damages resulting from, environmental problems; (ix) casualty or condemnation losses; (x) inadequate insurance coverage, the failure of an insurer to pay on a claim or the insolvency of an insurer; (xi) risks from floods, hurricanes, earthquakes or other natural disasters, including uninsured damages and re-designation of previously designated "non-flood" areas; (xii) risks of future terrorist attacks; (xiii) limitations on and variations in rents; and (xiv) changes in interest rates. To the extent that the Genesis Partnership's investments, or the assets

underlying or collateralizing the Genesis Partnership's investments, are concentrated geographically, by property type or in certain other respects, the Genesis Partnership may be subject to certain of the foregoing risks to a greater extent.

Environmental Hazards. Under environmental laws enacted by federal and state governments, owners of property may be liable for the cleanup and removal of hazardous substances even where the present owner was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title. Although SBAM will typically retain environmental inspectors, if any property acquired by the Genesis Partnership through purchase or foreclosure is found to have an environmental problem, the Genesis Partnership could incur substantial costs and suffer a complete loss of its investment in such property as well as other Genesis Partnership assets.

Structured Finance Securities. The Genesis Partnership may invest in structured finance securities, such as, for example, equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Structured finance securities may present risks similar to those of the other types of investments in which the Genesis Partnership may invest and, in fact, such risks may be of greater significance in the case of structured finance securities. Moreover, investing in structured finance securities may entail a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment risk. In addition, the performance of a structured finance security will be affected by a variety of factors, including (a) its priority in the capital structure of the issuer thereof, (b) the availability of any credit enhancement, (c) the level and timing of payments and recoveries on and the characteristics of the underlying receivables, (d) loans or other assets that are being securitized, (e) remoteness of those assets from the originator or transferor, (f) the adequacy of and ability to realize upon any related collateral, and (g) the capability of the servicer of the securitized assets.

Structured finance securities are typically separated into groupings known as "tranches", representing different degrees of credit quality. The higher rated tranches have a greater degree of protection and pay lower interest rates. The lower rated tranches pay higher interest rates, but are exposed to greater risk; if the underlying borrowers default, the Genesis Partnership may lose its entire investment.

Participations. The Genesis Partnership may participate in a loan originated by a third party lender. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that the third party may at any time have economic or business interests or goals that are inconsistent with those of the Genesis Partnership, or may be in a position to take action contrary to the Genesis Partnership's investment objectives. In addition, the Genesis Partnership may be liable for actions of its co-lenders. When the Genesis Partnership engages in such indirect investments, fees may be payable to such third parties by the Genesis Partnership, in addition to the fees already payable to the General Partner and SBAM by the Genesis Partnership.

Borrowing by the Genesis Partnership; Use of Leverage. When deemed appropriate by SBAM and subject to applicable regulations, the Genesis Partnership may incur leverage in its investment program by borrowing money from banks or other institutions, which greatly increases the potential loss of capital. The Genesis Partnership may provide collateral to the entity from which it borrows by registering or pledging the assets of the Genesis Partnership in the names of such entities or their nominees. This procedure exposes the Genesis Partnership to the risk that for whatever reason, including, without limitation, the default, insolvency, negligence, misconduct or fraud of such banks, the Genesis Partnership will not reacquire the ownership of such assets upon the repayment by the Genesis Partnership of such loans. Also, the Genesis Partnership will be unable to reacquire such assets if the Genesis Partnership defaults on such loans. The Genesis Partnership's failure or inability to reacquire such assets from the banks in whose name the assets are registered in support of a loan could entangle the Genesis Partnership in protracted litigation and, potentially, result in the complete loss of such assets. While SBAM will cause the Genesis Partnership to borrow money only from banks or other institutions it believes to be creditworthy, there can be no absolute certainty that such institutions will return such assets to the Genesis Partnership upon the repayment of such loans.

The Genesis Partnership may also incur leverage indirectly through investment in certain types of financial instruments with inherent leverage, such as (without limitation) puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities.

the amount of leverage which the Genesis Partnership may have outstanding at any one time is large in relation to its capital, fluctuations in the performance of the Genesis Partnership's portfolio will have disproportionately large effects in relation to the Genesis Partnership's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional leverage will generally cause the net asset value of the Genesis Partnership to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the leveraged capital fails to cover their cost to the Genesis Partnership, the net asset value of the Genesis Partnership will generally decline faster than would otherwise be the case. Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Call Option Risk. Many bonds, mortgage-backed securities and other fixed income instruments contain a provision that allows the issuer to "call" all or part of the issue before the fixed income instrument's maturity date. The borrower usually retains this right to refinance the fixed income instrument in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable fixed income instrument is not known with certainty. Second, because the borrower will call the fixed income instruments when interest rates have dropped, the Genesis Partnership is exposed to reinvestment rate risk – it will have to reinvest the proceeds received when the fixed income instrument is called at lower interest rates. Finally, the capital appreciation potential of a fixed income instrument will be reduced because the price of a callable fixed income instrument may not rise much above the price at which the borrower may call the fixed income instrument.

Hedging Transactions. SBAM currently may seek to hedge (to the extent it may be possible to do so) against fluctuations in the relative values of certain of its portfolio positions as a result of changes in interest rates, in currency exchange rates and in the equities, commodities and futures markets or sectors thereof. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Genesis Partnership to hedge against a fluctuation at a price sufficient to protect the Genesis Partnership's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying instruments or assets. Accordingly, options on highly volatile instruments or assets may be more expensive than options on other instruments or assets and of limited utility in hedging against fluctuations in their prices.

SBAM is not obligated to establish hedges for portfolio positions and may not do so; such hedging may also not be feasible or practicable in connection with many of the Genesis Partnership's portfolio positions. To the extent that hedging transactions are effected, their success is dependent on SBAM's ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

Options and Other Derivative Instruments. SBAM may invest, from time to time, in options and derivative instruments, including buying and writing puts and calls on some of the securities held by the Genesis Partnership in an attempt to supplement income derived from those securities. The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Genesis Partnership is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon

payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased by the Genesis Partnership were permitted to expire without being sold or exercised, the Genesis Partnership would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to the Genesis Partnership at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by the Genesis Partnership at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Genesis Partnership of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non- performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

Short Sales. The Genesis Partnership’s investment program contemplates that it may, from time to time, sell securities short. Short selling involves the sale of a security that the Genesis Partnership does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Genesis Partnership must borrow securities from a third party lender. The Genesis Partnership subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The Genesis Partnership must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the Genesis Partnership a fee for the use of the Genesis Partnership’s cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Genesis Partnership may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

Investments in Non-U.S. Investments. The Genesis Partnership’s investment program contemplates that a portion of its portfolio may be invested, from time to time, in non-U.S. loans and other non-U.S. assets. Such investments give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non-U.S. borrowers and markets are subject. Such risks may include:

- Political or social instability, the seizure by non-U.S. governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some non-U.S. countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against non-U.S. governments.

- Non-U.S. loans and other assets often trade in currencies other than the U.S. dollar, and the Genesis Partnership may directly hold non-U.S. currencies and purchase and sell non-U.S. currencies through forward exchange contracts. Changes in currency exchange rates will affect the Genesis Partnership's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Genesis Partnership's investments to decline. Some non-U.S. currencies are particularly volatile. Non-U.S. governments may intervene in the currency markets, causing a decline in value or liquidity of the Genesis Partnership's non-U.S. currency holdings. If the Genesis Partnership enters into forward non-U.S. currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Genesis Partnership enters forward contracts for the purpose of increasing return, it may sustain losses.
- Non-U.S. loans, securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Non-U.S. countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of borrowers in such markets.

Emerging Markets. The Genesis Partnership may from time to time invest a portion of its assets in loans, debt securities and other investments issued by companies located in emerging market countries. The securities markets of emerging market countries as a whole have been volatile and the loans and securities of issuers in emerging markets tend to be subject to abrupt or erratic price movements. Investing a significant portion of the Genesis Partnership's assets in issuers in emerging markets will make the Genesis Partnership susceptible to a greater degree than otherwise would be the case to factors affecting emerging markets in general and issuers in emerging markets included in the Genesis Partnership's portfolio in particular, and may increase the volatility of the value of the Genesis Partnership's portfolio investments. The risks of non-U.S. investments described above apply to an even greater extent to investments in emerging markets. The economies of these markets may differ significantly from the economies of certain developed countries in such respects as GDP or gross national product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency, structural unemployment and balance of payments position. In particular, these economies frequently experience high levels of inflation. In addition, such countries may have: restrictive national policies that limit the Genesis Partnership's investment opportunities; limited information about their issuers; a general lack of uniform accounting, auditing and financial reporting standards, auditing practices and requirements compared to the standards of developed countries; less governmental supervision and regulation of business and industry practices, securities exchanges, brokers and listed companies; favorable economic developments that may be slowed or reversed by unanticipated political or social events in such countries; or a lack of capital market structure or market-oriented economy. Systemic and market factors may affect the acquisition, payment for or ownership of investments including: (a) the prevalence of crime and corruption; (b) the inaccuracy or unreliability of business and financial information; (c) the instability or volatility of (1) banking and financial systems, or the absence or inadequacy of an infrastructure to support such systems, (2) custody and settlement infrastructure of the market in which such investments are traded and held, and (3) the acts, omissions and operation of any securities depository; (d) the risk of the bankruptcy or insolvency of banking agents, counterparties to cash and securities transactions, registrars or transfer agents; and (e) the existence of market conditions that prevent the orderly execution or settlement of transactions or that affect the value of assets. Different clearance and settlement procedures may prevent the Genesis Partnership from making intended security purchases causing the Genesis Partnership to miss attractive investment opportunities, possibly resulting in either losses to or contract claims against the Genesis Partnership. The investment markets of many of the countries in which the Genesis Partnership may invest may also be smaller, less liquid, and subject to greater price volatility than developed markets. The Genesis Partnership's assets may be denominated in a variety of currencies subject to changes in currency exchange rates and in exchange control regulations.

Distressed Investments. The Genesis Partnership's investment program contemplates the possibility that it may invest in "**Distressed Investments**". Distressed Investments shall mean loans, securities, private claims and other obligations of entities which are experiencing significant financial or business difficulties. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, Genesis Partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed Investments may result in significant returns to the Genesis Partnership, but also involve a substantial degree of risk. The Genesis

Partnership may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than the Genesis Partnership's investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility and the spread between the bids and asked prices of such instruments may be greater than normally expected. In trading Distressed Investments, litigation sometimes arises. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

Risks Associated with Loans to Companies in Distressed Situations. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Genesis Partnership will correctly evaluate the value of the assets collateralizing the Genesis Partnership's loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company that the Genesis Partnership funds, the Genesis Partnership may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the loan advanced by the Genesis Partnership to the borrower.

Investments in Securities and Other Assets Believed to be Undervalued. SBAM's investment program contemplates that a portion of the Genesis Partnership portfolio may be invested in loans and other assets that SBAM believes to be undervalued. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Returns generated from the Genesis Partnership's investments may not adequately compensate for the business and financial risks assumed. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact on their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the borrowers to repay principal and pay interest thereon and increase the incidence of default for such loans. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Genesis Partnership may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Genesis Partnership's funds would be committed to the investments made, thus possibly preventing the Genesis Partnership from investing in other opportunities.

Investments in Private, Small Capitalization and Unseasoned Companies. SBAM's investment program contemplates that a portion of the Genesis Partnership's portfolio will be invested in private companies or in small and/or unseasoned public companies with small market capitalization. While these companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and/or competitive strength of larger and/or more established companies.

If the Genesis Partnership holds publicly traded securities of any such company, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Due to the lower trading volume of smaller company securities, the Genesis Partnership may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time when making large sales.

Risks Associated with Restricted Securities. Restricted Securities are expected to be a component of the Genesis Partnership's investment strategy. Some risks specifically associated with these types of investments include the following: Liquidity Risk. The Genesis Partnership's returns will depend upon its ability to sell in the public market Restricted Securities once they are no longer restricted. The Genesis Partnership will be able to sell those securities only when a resale registration statement covering the securities is effective or under SEC Rule 144 promulgated under the Securities Act ("Rule 144"). The issuer typically must file a registration statement shortly after the transaction has closed. However, the effectiveness of that registration may be delayed by various events or circumstances, including, for example, a lengthy SEC

review of the registration statement or regulatory inquiries into the issuer. That effectiveness, and the ability to sell under Rule 144, may also be delayed or interrupted if the issuer fails to timely file all reports required by the Securities Exchange Act of 1934, as amended, or if the issuer fails to meet certain types of financial obligations. Although related documents may require the issuer to pay damages to purchasers if the resale registration statement is not effective within a certain period of time, there is no assurance that the registration statement will become effective, that the Genesis Partnership will be able to sell the securities, or that it will be able to recover the specified damages. Even after a resale registration statement becomes effective, the Genesis Partnership's ability to sell the securities may be limited by market and other conditions, and it may take longer for the Genesis Partnership to realize returns than SBAM originally anticipated.

Contractual Risk. The Genesis Partnership will typically enter into contracts with issuers of Restricted Securities which require, among other things, the issuer to file a registration statement upon the expiration of a specified period after the transaction closes. If an issuer were to fail to honor its contractual obligations, it could have a negative impact on the Genesis Partnership's performance, and the Genesis Partnership will be responsible for bearing the costs of seeking injunctive and/or legal relief against the issuer.

Valuation Risk. During the period before the effective date of the resale registration statement, the Restricted Securities and other instruments that the Genesis Partnership acquired through the transaction will be valued in SBAM's discretion in accordance with the valuation methodology of the Genesis Partnership. Because issuers often are small capitalization companies and characterized by financial uncertainty, information about them on which to base valuation judgments is often less readily available than is information about other securities and their issuers. If an issuer's financial condition were to deteriorate, accurate financial and business information could become even more limited or entirely unavailable. Additionally, SBAM may face conflicts of interest in making valuation decisions. As a result of these and other factors, there can be no assurance that the valuation of the Genesis Partnership's Restricted Securities reflected in the Genesis Partnership's records will accurately reflect the value the Genesis Partnership could realize if it were to sell the securities. Any inaccuracies could cause the Genesis Partnership to experience significant losses.

Regulatory Compliance of Issuer. An issuer may be required under some circumstances to obtain prior approval for the transaction from its shareholders and/or the securities exchange on which the issuer's common stock is listed. An issuer must also comply with applicable private offering regulations. If the issuer were to fail to comply with applicable requirements, it is possible that, among other things, the relevant exchange could cause the delisting of the company's securities and, effectively, the loss of the Genesis Partnership's investment. In the course of the Genesis Partnership's investment program, regulations may be enacted, or SEC actions may be taken, that affect the Genesis Partnership's ability to obtain liquidity or to profit from the investment.

Risk of Regulatory Scrutiny and Legal Proceedings. Investment activities in connection with certain types of Restricted Securities are becoming the subject of increased scrutiny by the SEC and other regulators. It is possible that the Genesis Partnership could become involved in an inquiry regarding its investment activities. Such inquiries may entail significant costs, which would be borne by the Genesis Partnership.

Underwriter Risk. It is possible that, in reselling Restricted Securities, the Genesis Partnership could be deemed an "underwriter" within the meaning of the Securities Act. Underwriters are subject to various securities law requirements and may be deemed responsible for the accuracy of the information contained in a resale registration statement, possibly subjecting the Genesis Partnership to liability for any inaccuracies, misstatements or omissions.

Transaction Costs. In entering into a transaction involving Restricted Securities, the Genesis Partnership may be required to conduct substantial due diligence on the issuer and to review and negotiate certain documents and agreements. These activities may increase the Genesis Partnership's transaction costs, relative to transaction costs relating to investments in typical publicly-traded securities.

Material Non-Public Information. By reason of their responsibilities in connection with other activities of SBAM, the General Partner and/or their affiliates, certain principals or employees of SBAM, the General Partner and/or their affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Genesis Partnership will not be free to act upon any such information. Due to these restrictions, the Genesis Partnership

may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Accuracy of Public Information. SBAM may, from time to time, select investments for the Genesis Partnership on the basis of information and data filed by borrowers or issuers with various government regulators, or made directly available to SBAM through other sources. Although SBAM may sometimes evaluate such information and data, and sometimes seeks independent corroboration when SBAM considers it is appropriate and when it is reasonably available, SBAM is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if such information is inaccurate.

Risk of Default or Bankruptcy of Third Parties. The Genesis Partnership will engage in transactions in loan participations, securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, the Genesis Partnership could suffer losses if a counterparty to a transaction were to default or if the market for certain loan participations, securities, commodities, other financial instruments and/or other assets were to become illiquid. In addition, the Genesis Partnership could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Genesis Partnership does business, or to which loan participations, securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if the Genesis Partnership's custodian were to become insolvent or file for bankruptcy, the Genesis Partnership could suffer significant losses with respect to any securities held by such firm.

Regulatory and Statutory Risks

Strategy Restrictions. Certain institutions may be restricted from directly utilizing investment strategies of the type the Genesis Partnership may engage in. Such institutions should consult their own advisors, counsel and accountants.

Trading Limitations. For all investments listed on an exchange, including listed options, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Genesis Partnership to loss related thereto. Also, such a suspension could render it impossible for SBAM to liquidate positions and thereby expose the Genesis Partnership to potential losses relating to withdrawals by Limited Partners. *Limitations on Regulatory Oversight.* The Genesis Partnership is not registered as an "investment company" under the Investment Company Act of 1940, as amended ("**Investment Company Act**"). SBAM is not registered as a commodity pool operator with the CFTC. The offer and sale of the interests in the Genesis Partnership will not be registered under the Securities Act. Consequently, Limited Partners will not benefit from some of the protections to which they would otherwise be afforded.

State and Local Regulation. The Genesis Partnership will be subject to the separate regulations pertaining to commercial private lenders, specific property types or specific types of borrowers in each particular state, county or municipality. The Genesis Partnership may fail to comply with all of such regulations, or may incur significant costs in complying with such regulations.

Loan Documents. There may be unfavorable changes to bankruptcy law, or to state law or judicial interpretation of loan documents regarding the priority and enforceability of liens on guaranties or collateral securing mortgage loans. Further, the enforceability of loan documents is subject to and may be limited by bankruptcy courts or federal bankruptcy legislation or other statutes affecting the rights of creditors generally.

Usury Laws. Although SBAM intends for the loans to be fully compliant with law, the terms of the loans may be determined by a court to be usurious.

Tax Risk. The tax aspects of an investment in the Genesis Partnership are complicated and each investor should have them reviewed by professional advisers familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles. The Genesis Partnership is not intended and should not be expected to provide any tax shelter, but is organized as a limited partnership to permit any distributions it might make to be made without being taxed as dividends.

Tax-Exempt Entities. Certain prospective Limited Partners may be subject to federal and state laws, rules and regulations which may regulate their participation in the Genesis Partnership, or their engaging, directly or indirectly through an investment in the Genesis Partnership, in investment strategies of the types that the Genesis Partnership utilizes from time to time. Each type of exempt organization may be subject to different laws, rules and regulations, and prospective Limited Partners should consult with their own advisers as to the advisability and tax consequences of an investment in the Genesis Partnership. In particular, exempt organizations should consider the applicability to them of the provisions relating to “unrelated business taxable income.” Investments in the Genesis Partnership by entities subject to ERISA and other tax-exempt entities require special consideration.

C.

SBAM does not recommend primarily a particular type of security.

Item 9. Disciplinary Information

A.

None

B.

In October 2010 SBAM and Martin Sands and Steven Sands settled administrative proceedings alleging violations of Sections 204 and 207 of the Investment Advisers Act of 1940 and Rules 204-1 and 204-2 thereunder, relating to books and records and Form ADV pursuant to an SEC inspection that commenced in 2004. The SEC also found that SBAM willfully violated Section 206(4) and Rule 206(4)-2 thereunder, which, among other things, impose on investment advisers that have custody of client funds or securities certain requirements with respect to the preparation and disseminations of client account statements and surprise examinations for certain funds. Prior to the notice of the proceedings from the SEC neither SBAM nor Messrs. Sands had received any formal communication from the SEC in the matter since late 2005. In settlement, SBAM and Messrs. Sands entered into a cease and desist agreement, were censured and paid a penalty of \$60,000.

On or about October 29, 2014, Sands Brothers Asset Management, LLC ("SBAM") and two of its principals Martin Sands ("M. Sands") and Steven Sands ("S. Sands," and collectively, the "respondents") were named as respondents in an Order Instituting Administrative Proceedings (the "OIP") by the Securities and Exchange Commission (the "SEC") alleging violations of Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") for failure to timely distribute audited financial statements to the investors of the pooled investment vehicles managed by SBAM in violation of the "Custody Rule" - Rule 206(4)-2 under Section 206(4) of the Advisers Act, and M. Sands and S. Sands with willfully aiding and abetting and causing SBAM's violations of Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder.

Respondents SBAM, Steven Sands and Martin Sands settled this matter, without admitting or denying the charges, and on November 19, 2015, the SEC Ordered these Respondents to Cease and Desist from violations of Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder, pay a \$1 million civil monetary penalty (which was timely paid), be suspended from raising funds from new or existing clients for the benefit of the Funds managed by SBAM for one year (which time period has expired), impose an independent monitor to review SBAM's compliance with the federal securities laws for three years (which has been effectuated), and impose daily \$15,000 penalties in the event of a failure to timely distribute audited financial statements going forward (which have never been triggered). This settlement has had the collateral effect of limiting the ability of SBAM, Steven and Martin Sands to rely upon certain exemptions from the registration rules in connection with all of their fundraising efforts. The settlement, as with the proceeding itself, does not allege any misrepresentation, fraud or misappropriation on the part of SBAM or its principals. Former CCO Christopher Kelly, who also served as chief operating officer, agreed to pay a \$60,000 penalty and was suspended for one year from acting as a CCO or appearing or practicing before the SEC as an attorney.

C.

None

Item 10. Other Financial Industry Activities and Affiliations

A.

Not applicable

B.

Not applicable

C.

Not applicable

D.

Not applicable

Item 11. Code of Ethics, participation or Interest in Client Transactions and Personal Trading

A.

SBAM has adopted a code of ethics pursuant to SEC rule 204A-1. The code of ethics sets forth SBAM's standards of business conduct, covering, among other things, prohibited conduct, privacy of client information, personal securities transactions, conflicts of interest, service as a director, reporting violations, training, review and enforcement, the whistleblower policy, the distribution of the code of ethics, books and records and safeguarding sensitive information.

SBAM will provide a copy of its code of ethics to any client or prospective client upon request.

B.

Not applicable to the best knowledge of SBAM.

C.

Not applicable to the best knowledge of SBAM.

D.

Not applicable to the best knowledge of SBAM.

Item 12. Brokerage Practices

A. and B.

Transactions in securities for the Funds will be executed through brokers selected by SBAM in its sole discretion. In placing portfolio transactions in securities, SBAM will seek to obtain the best execution for the Funds, taking into account the following and other factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution; taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the availability of stocks to borrow for short trades and the competitiveness of commission rates in comparison with other brokers satisfying SBAM's other selection criteria. SBAM is not required to weigh any of these factors equally. Since commission rates in the United States are negotiable, SBAM's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in the Funds being charged higher transaction costs (commissions or markups or markdowns) than they could otherwise obtain.

SBAM has full discretion to determine the investments to be made by the Funds, subject to the investment objective and strategy descriptions in the offering documents of the Funds. SBAM has the discretion to choose broker-dealers and the commissions to be paid, subject to the duty to obtain best execution.

If and to the extent the Funds acquire portfolio investments that are publicly traded securities, options, futures and other financial instruments (i.e., investments typically other than loan investments), SBAM is responsible for the execution of such trades and the negotiation of any commissions and other compensation paid to third parties on such transactions. Such transactions are normally executed through brokers on exchanges or from an underwriter or market maker. Purchases of portfolio instruments through brokers involve commissions to the brokers. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the ask price. SBAM will not commit to provide any level of brokerage business to any broker. SBAM may utilize the services of one or more introducing brokers who will execute the Funds' brokerage transactions through the broker and custodian who will clear the Funds' transactions.

SBAM may aggregate purchase and sale orders of investments held by a Fund with similar orders being made simultaneously for other Funds if, in SBAM's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Fund based on an evaluation that the Fund will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors.

In other instances, the purchase or sale of investments for a Fund will be effected simultaneously with the purchase or sale of like investments for other Funds. Such transactions may be made at slightly different prices, due to the volume of investments purchased or sold. In such event, the average price of all investments purchased or sold in such transactions may be determined, at SBAM's sole discretion, and the Fund may be charged or credited, as the case may be, with the average transaction price.

Although not currently the practice, SBAM may allocate brokerage on the basis of a broker's agreement to pay all or part of certain research-related expenses of SBAM and/or its affiliates, provided such expenses qualify for a "safe harbor" provision under Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, to the extent such allocations result in the payment by such brokers of expenses that would otherwise be borne by SBAM or its affiliates, it will realize an economic benefit from such allocations and may be deemed to have a financial conflict of interest with the Funds. The payment by such brokers of such expenses may provide an incentive to select or recommend the broker-dealer paying such expenses, which may represent a conflict with the clients' interests in receiving most favorable execution. SBAM will not attempt to allocate, as between any Fund and any other managed investment vehicles or accounts, particular items of expenses paid relative to the Fund or account generating the particular commission revenues utilized for

payment of such expenses, except in limited circumstances when deemed appropriate. Accordingly, because brokerage services may benefit clients that have not paid for the brokerage services, brokerage allocations from a Fund may also have the effect of indirectly benefiting other clients, vehicles and accounts managed by SBAM or its affiliates.

Neither SBAM nor the Funds have received any soft dollar benefits over the last fiscal year.

The Funds may direct a portion of their securities brokerage business to Laidlaw & Co. (UK), Ltd. (“Laidlaw”), a broker-dealer registered with the Financial Industry Regulatory Authority (“FINRA”). Certain of SBAM’s related persons’ family members hold indirect economic interests in Laidlaw.

Item 13. Review of Accounts

A. and B.

The Funds' portfolios and investment opportunities are monitored by SBAM personnel, including Senior Portfolio Managers and Portfolio Managers, on a continuous basis.

C.

Investors in the Funds receive periodic written reports of Fund performance, typically on a quarterly basis (though annually with respect to some small funds), and annual audited financial statements of the Fund.

Item 14. Client Referrals and Other Compensation

A.

Not applicable.

B.

SBAM or a related person may pay to persons who refer investors to the Funds a portion of the management fees and/or performance allocations received with respect to such investors. When marketed through a broker-dealer, there may be a sales commission of up to 5%, which may be deducted from the subscriber's investment. When introduced through certain third-party solicitors, SBAM may pay the solicitors a percentage of its own management and performance fee, in which case there will be no additional charge to the investor. Alternatively, there may be situations, with the agreement of the subscriber, in which the subscriber will be assessed a separate charge to pay a solicitor's fee.

Item 15. Custody

Under SEC Rule 206(4)-2, SBAM may be viewed for regulatory purposes as having custody of certain client assets due to (i) SBAM's ability to deduct fees directly from certain client accounts, and/or (ii) SBAM's role as managing member and general partner. SBAM encourages each client to carefully review the custodial reports the client receives, if any, against reports they receive from SBAM.

Item 16. Investment Discretion

Pursuant to the execution of the investment advisory agreements by the applicable parties, SBAM has full discretion to determine the investments to be made by the Funds, subject to the investment objective and strategy descriptions in the offering documents of the Funds.

Item 17. Voting Client Securities

PROXY VOTING PROCEDURES

SBAM's proxy voting procedures are as follows: SBAM does not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our Firm, we will forward them on to clients and ask the party who sent them to mail them directly in the future. Clients may call, write or email SBAM to discuss questions they may have about particular proxy vote or other solicitation. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third party money manager), our Firm and/or clients shall instruct a qualified custodian to forward to clients copies of all proxies and shareholder communications relating to their investment assets.

Disclosure to Clients. A description of the Proxy Voting Policy will be provided to a client at the inception of SBAM-client relationship, as well as upon the written request of a client to SBAM.

Item 18. Financial Information

A.

Not applicable.

B.

SBAM is not aware of any financial condition affecting it that may be reasonably likely to impair SBAM's ability to meet contractual commitments to the Funds (SBAM's only clients).

Item 19. Requirements for State-Registered Advisers

Not applicable