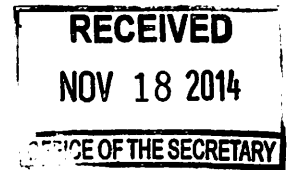


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



INVESTMENT ADVISERS ACT OF 1940
Release No. 3960/October 29, 1014

ADMINISTRATIVE PROCEEDING
File No. 3-16223

In the Matter of

SANDS BROTHERS ASSET
MANAGEMENT, LLC, STEVEN SANDS,
MARTIN SANDS AND CHRISTOPHER
KELLY,

Respondents.

**ANSWER OF SANDS BROTHERS ASSET
MANAGEMENT, LLC, STEVEN SANDS
AND MARTIN SANDS**

Respondents Steven Sands (“S. Sands”), Martin Sands (“M. Sands”)(the “Individual Respondents”) and Sands Brothers Asset Management, LLC (“SBAM”), (collectively, “Respondents”), by and through their counsel Gusrae Kaplan Nusbaum, PLLC, for their Answer to the Order Instituting Administrative And Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (the “OIP”) initiated by the U.S. Securities and Exchange Commission (the “Commission”) herein, states as follows:

I.

Respondents do not respond to these allegations as they purport to state a legal conclusion.

A. SUMMARY

II.

1. Respondents deny the allegations contained in paragraph 1 of the OIP.
2. Respondents admit that they are co-chairmen of SBAM and that Christopher Kelly (“Kelly”) was the Compliance/Chief Operating Officer of SBAM except, deny the allegations against them contained in paragraph 2 of the OIP.

B. RESPONDENTS

3. Respondents admit the allegations contained in paragraph 3 of the OIP.
4. Respondents admit the allegations contained in paragraph 4 of the OIP.
5. Respondents admit the allegations contained in paragraph 5 of the OIP.
6. Respondents admit that allegations contained in paragraph 6 of the OIP.

C. FACTS

The Custody Rule

7. Respondents admit the allegations contained in paragraph 7 of the OIP.
8. Respondents admit the allegations contained in paragraph 8 of the OIP.
9. Respondents admit the allegations contained in paragraph 9 of the OIP.
10. Respondents admit the allegations contain in paragraph 10 of the OIP.

SBAM's History of Non-Compliance with the Custody Rule¹

11. Respondents admit the allegations contained in paragraph 11 of the OIP.

12. Respondents respectfully refer the Administrative Law Judge to the full text of the document referred to in paragraph 12 of the OIP for a complete and accurate recitation of the contents of same, and submit that same has no probative value.

13. Respondents respectfully refer the Administrative Law Judge to the full text of the document referred to in paragraph 13 of the OIP for a complete and accurate recitation of the contents of same, and submit that same has no probative value.

14. Respondents lack knowledge and information sufficient to form a belief as to the truth of the allegations set forth in paragraph 14 of the OIP except, admit that they consented, without admitting or denying, the findings therein, to the entry of an Order Instituting Settled

¹ Respondents deny any allegations and/or inferences contained in any caption or heading in the OIP. Respondents do not respond to allegations contained in the captions or headings in the OIP which purport to state a legal conclusion.

Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act (the “2010 Order”).

15. Respondents respectfully refer the Administrative Law Judge to the full text of the 2010 Order for a complete and accurate recitation of the contents of same.

16. Respondents respectfully refer the Administrative Law Judge to the full text of the 2010 Order for a complete and accurate recitation of the contents of same.

17. Respondents respectfully refer the Administrative Law Judge to the full text of the 2010 Order for a complete and accurate recitation of the contents of same.

SBAM Continue to Violate the Custody Rule After the 2010 Order

18. Respondents deny the allegations contained in paragraph 18 of the OIP.

19. Respondents admit the allegations contained in paragraph 19 of the OIP.

20. Respondents respectfully refers the Administrative Law Judge to the underlying documents relating to the allegations set forth in paragraph 20 of the OIP.

21. Respondents deny the allegations contained in paragraph 21 of the OIP except, respectfully refer the Administrative Law Judge to the full text of the document cited in paragraph 21 for a full and accurate recitation of its contents.

22. Respondents deny the allegations contained in paragraph 22 of the OIP.

23. Respondents lack knowledge or information sufficient to form a belief as Kelly’s state of mind but, admit that Kelly substantially assisted SBAM’s activities with respect to compliance with the Custody Rule.

VIOLATIONS

24. Respondents deny the allegations contained in paragraph 24 of the OIP.

25. Respondents deny the allegations against them contained in paragraph 25 of the

OIP.

III.

Respondents deny all allegations in Section III, III(A), (B) and (C) of the OIP, and do not respond to allegations which purport to state a legal conclusion.

IV.

Respondents do not respond to the recitation of procedures set forth in Section IV of the OIP.

AFFIRMATIVE DEFENSES

As separate and distinct affirmative defenses to each of the violations alleged in the OIP, Respondents, without conceding that they bear the burden of proof as to any of the following issues, and without waiving any of their constitutional, statutory or common law rights or privileges, and while reserving the right to assert additional or different defenses based upon additional evidence developed in discovery or otherwise alleges as follows:

FIRST AFFIRMATIVE DEFENSE

The instant SEC administrative proceeding violates Article II of the U.S. Constitution, making this proceeding improper.

SECOND AFFIRMATIVE DEFENSE

Respondents reasonably relied upon the supervisory structure established at SBAM. Respondents reasonably relied upon SBAM's Chief Compliance Officer/Chief Operating Officer, Kelly, who was qualified, had extensive industry experience, is an attorney licensed to practice law in New York. Respondents were not aware of any red-flags which would have alerted them that Kelly was not functioning in the manner required by the SBAM's supervisory structure.

THIRD AFFIRMATIVE DEFENSE

(Additional Unknown Affirmative Defenses)

Respondents reserve their right to assert additional affirmative defenses in the event discovery indicates such would be appropriate.

REQUEST FOR A HEARING

Respondents request a hearing in connection with this matter in accordance with SEC Rules of Fair Practice.

RESERVATION OF RIGHTS

Respondents reserve their right to amend or supplement this Answer, with all necessary permission, and to make appropriate further submissions up to, through and after the hearing of this matter.

Dated: New York, New York
November 17, 2014

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