

SANDALWOOD SECURITIES, INC.
(“Sandalwood”)

Form ADV, Part 2A
(the “Brochure”)

March 1, 2021

101 Eisenhower Parkway
Roseland, NJ 07068
973-233-8800
www.SandalwoodSecurities.com

This brochure provides information about the qualifications and business practices of Sandalwood Securities, Inc. If you have any questions about the contents of this brochure, please contact us at 973-233-8800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Sandalwood also is available on the SEC’s website at www.adviserinfo.sec.gov.

Sandalwood may refer to itself as a “registered investment adviser” or “RIA”. You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

MATERIAL CHANGES

There have been no material changes to Sandalwood's affairs since the last annual update of this Brochure on March 1, 2020.

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ADVISORY BUSINESS

Firm Overview

Sandalwood Securities, Inc. (“Sandalwood”) is an investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”). Sandalwood was formed in May 1990 as a New Jersey corporation. Martin J. Gross is the President and controlling shareholder of Sandalwood.

Types of Services Offered

Sandalwood’s primary investment advisory activity is the provision of investment management services to various affiliated limited partnerships or limited liability companies (the “Partnerships”) as well as an offshore investment vehicle that serves in part as a feeder fund to each of the Partnerships (the “Offshore Fund” and together with the Partnerships, the “Funds”). The Funds operate as unregistered funds of funds. Pursuant to a management agreement (“MA”) with each individual fund, Sandalwood performs certain services, including: (i) providing advice in connection with the selection, monitoring, termination and replacement of portfolio managers and funds; (ii) communicating with limited partners and prospective limited partners of the Fund, and preparing reports to limited partners; and (iii) performing such other duties as may be delegated from time to time by the Fund’s general partner. Sandalwood does not currently advise individual investors or managed accounts and does not expect to do so in the future.

Sandalwood predominantly focuses upon multi-strategy credit, including distressed and long/short credit, event driven investing, and real estate credit related opportunities. As a result, Sandalwood has developed specialized insight into multi-strategy credit and event driven investing. Sandalwood’s experience managing funds of funds has yielded relationships with prime brokers, capital introduction groups, peer groups and seasoned hedge fund managers as well as experience in, and a repeatable process for, selecting managers.

As of December 31, 2020, Sandalwood had \$592,955,771 in discretionary assets under management and no non-discretionary assets under management.

FEES AND COMPENSATION

Management Fees

Under the MAs, each Fund pays to its General Partner (if a Partnership) or to Sandalwood (in the case of the Offshore Fund) a fixed advisory fee (the “Management Fee”) based on the Management Fee established with respect to each Series (as defined below) comprising such Fund. The Management Fee is calculated on a Series-by-Series basis or capital account by capital account basis, as applicable, and is payable in arrears as of the last day of each month, (prorated for partial months). The Management Fee is generally 1-1.50% per annum of the net asset value in that Series or capital account as of the end of such month. The Management Fee is automatically deducted from an Investor’s capital account. Different Management Fees may be paid in respect of a particular Series of a Fund, as set forth in the relevant offering documents for such Series. In addition, Sandalwood or a General Partner each reserves the right, in their discretion, to reduce the Management Fee payable by any Investor in a Fund without any obligation to obtain the consent of or provide notice to any other Investor in such Fund.

With respect to the Partnerships, Sandalwood receives a portion of the Management Fee due from a Fund to its General Partner. The exact amount of the fee is determined by each General Partner in its sole discretion based upon the services performed by Sandalwood. Sandalwood, as the investment manager of the Partnerships in which the Offshore Fund invests, and each General Partner have agreed to waive all fees otherwise payable to them by the Partnerships in respect of any investment made by the Offshore Fund in any of the Partnerships. Instead, Management Fees in the Offshore Fund, are paid to Sandalwood by the Offshore Fund.

Sandalwood may, in certain circumstances and with respect to certain Investors or Series in the Funds, charge a performance allocation, as discussed in the section of this Brochure entitled “Performance-Based Fees and Side-by-Side Fee Management.” In some Series of a Fund, the Series charges a performance allocation instead of a management fee.

Other Expenses

Each Fund is responsible for the payment of its respective ongoing expenses related to its operations and administration as described in the Fund’s offering documents. Expenses that, in the reasonable determination of a Fund’s General Partner, relate to a particular Series will be allocated solely to Investors who participate in that Series, and other expenses will be allocated among all Series of such Fund on a pro rata basis. Expenses may vary among the Funds, and the expenses of each Fund are subject to the costs and expenses listed in each Fund’s Governing Documents. Such expenses may include, but are not limited to : investment related expenses (including fees incurred in connection with an actual or proposed investment, and commissions, interest expense and other trading costs); direct expenses (including Management Fees and other advisory fees, fees associated with any borrowing, insurance premiums, and travel costs); its pro rata share of expenses of each investment fund in which it invests; legal, accounting, bookkeeping, and auditing expenses; tax preparation (including with respect to tax returns, Schedules K-1, and other financial statements delivered to Investors); other investor reporting; development and maintenance of a website; taxes and other governmental or regulatory expenses; expenses incurred in the collection of monies owed to it; extraordinary expenses (including indemnification and contribution expenses, and expenses related to any pending or threatened proceeding or Internal Revenue

Service examination); custody and fund administration expenses; marketing related costs (including travel, hotels and other travel-related expenses in connection with Investor and prospective investor meetings, and costs related to attendance at industry conferences and seminars); costs incurred in connection with any consultants; and fees associated with periodic updates to organizational and offering documents.

Each Series invests with subadvisors and, in addition to any management fees charged for that Series by the Fund, the subadvisors may also charge fees, including management fees, operating expenses, etc. for the funds invested with that subadvisor.

In addition, each Fund also reimburses Sandalwood for a pro rata portion (based on the net asset value of each Fund to which Sandalwood provides investment advisory and management services) of the following costs and expenses of Sandalwood: salaries, bonuses, and employee benefit expenses (including pension expenses); all regulatory compliance costs (including, but not limited to, consultants and other compliance support, mock SEC audits and review of operational due diligence); rent; telephone; equipment rental and amortization of capitalized costs (including, but not limited to, leasehold improvements, computers and furniture); information technology services (including consulting and support services); insurance premiums; costs and expenses associated with Sandalwood's annual investor conference; legal fees, administrators' fees and bookkeeping of Sandalwood; and other similar ongoing and administrative expenses incurred by Sandalwood; provided, that Sandalwood agrees to forego a portion of its share of the Management Fee, and pay, absorb or waive and not seek reimbursement of such expenses for any fiscal year of a particular Fund or Series, as applicable, to the extent that the expenses of such Fund or Series exceed 0.70% of the average annual net asset value of such Fund or Series, based on the month-end value of such Fund's or Series' net assets for each month in the relevant fiscal year (the "Expense Rebate Limitation"). In any month, Sandalwood is entitled to reimbursement for the expenses of any Fund and Series, as applicable, but not in excess of the Expense Rebate Limitation for the fiscal year in which such month occurs. The Expense Rebate Limitation may be terminated by either Sandalwood or each Fund upon not less than 5 days' notice by either party to the other party.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

While Sandalwood does not generally charge a performance allocation, Sandalwood may agree to alternative fee structures with certain Investors in the Funds. Pursuant to this, Investors in some series of the Funds reallocate to the capital account of the Fund's general partner, at the end of each fiscal year, a certain percentage of any net gain allocated to such limited partners' capital accounts. Some Series of the Funds charge a performance allocation as an alternative to the management fee. Sandalwood may, in the future, create additional series in other Funds that charge a performance allocation. Any such performance-based compensation charged by Sandalwood will comply with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

In addition to the above, Investors in a Fund will bear a pro rata share of the fees and expenses of each Underlying Manager (as defined below) in which such Fund invests, including any performance allocations of such Underlying Manager. Underlying Managers generally charge annual performance allocations of 20% of the increase in net asset value (including income and realized and unrealized gains, net of loss and expenses).

While Sandalwood is not incentivized to favor one client over another in selecting Underlying Funds, circumstances may arise in which an Underlying Manager may have limited capacity and be unable to accommodate the full amount that Sandalwood would like to invest for the account of each of its Funds. In such circumstances, Sandalwood's investment committee will make investment decisions intended to equitably allocate the opportunity across the appropriate funds based upon, among other things, (i) the desired target allocation for each fund, (ii) rebalancing considerations, (iii) the investment strategy of each Fund, and (iv) liquidity considerations and the amount each fund has available to invest at the particular time.

TYPES OF CLIENTS

Sandalwood serves as investment adviser to the Funds and currently has no other clients.

Prospective investors of a Fund must meet certain eligibility and minimum investment requirements, as set forth in such Fund's private placement memorandum (along with any relevant supplements thereto, such Fund's "PPM"). Investors are required to make various representations and warranties to a Fund, including representations regarding their eligibility to invest in the Fund, as a condition to the acceptance of their subscriptions. Investors who have invested in the Funds include high net worth individuals and families, pension plans, trusts, foundations, corporations and partnerships.

The Funds are privately placed pooled investment vehicles. Investors in the Funds and other recipients should be aware that while the Brochure may include information about the Funds, as necessary or appropriate, it should not be considered to represent a complete discussion of the features, risks or conflicts associated with any Fund. More complete information about each Fund is included in the Fund's PPM, which are available to current and eligible prospective investors by Sandalwood or another authorized party.

In no event should this Brochure be considered to be an offer of interests in a Fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient. Rather, this Brochure is designed solely to provide information about Sandalwood for the purpose of compliance with certain obligations under the Advisers Act and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in a PPM. To the extent that there is any conflict between discussions herein and similar or related discussions in any PPM, the PPM shall govern.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The Funds

Investment Strategies of the Funds

Sandalwood and its affiliates offer a range of multi-strategy Funds and utilize separate Funds or series of Funds (each, a “Series”) to pursue a variety of investment strategies. In general, each Fund or Series has a different investment strategy and Investors may choose the Fund or Funds whose strategies best match the Investor’s preferences. Each Fund or Series is operated as a fund of funds, whereby Sandalwood allocates the assets of a Fund to a group of unaffiliated portfolio managers and hedge funds selected by Sandalwood (each, an “Underlying Manager”). In some Series, the funds are allocated to a single underlying manager with highly specialized experience in an area(s) that Sandalwood sees opportunities for growth or believes is currently underserved.

While the investment strategies vary from fund to fund, as a firm, Sandalwood specializes in credit strategies and event driven strategies. The Underlying Managers invest in a wide variety of securities and financial instruments including, but not limited to: various debt securities including senior secured bank debt, heavily collateralized loans and securities and investment in high-yield and distressed debt securities, convertible debt, equity of reorganized companies, convertible and capital structure arbitrage, derivatives, bank loans, mezzanine loans, mortgage loans and other asset backed securities, event-driven investing and long/short investing in U.S. equities.

Sandalwood engages in a due diligence process to review the quality of each Underlying Manager prior to its initial investment and conducts ongoing due diligence on a periodic basis. Sandalwood requests from each Underlying Manager the applicable offering documents and may request such additional information as it deems necessary. The due diligence process may include (i) performing background investigations of the principals, (ii) consulting with references, (iii) conducting in-person or telephonic meetings with managers, (iv) requesting periodic performance and holdings updates, (v) and reviewing such other information as Sandalwood may request. Sandalwood generally requests that each Underlying Manager in which it invests provide (a) monthly valuations; (b) periodic exposure reports; and (c) quarterly investor letters.

In selecting and monitoring managers, Sandalwood will make a detailed evaluation of each Underlying Manager’s past performance, current investment strategy, assets under management, research capabilities, management’s experience and other factors. **Although a superior performance record is usually a prerequisite to the selection of any Underlying Manager, prospective investors are advised that there can be no assurances that an Underlying Manager’s future performance will be comparable to the Underlying Manager’s past performance. Investors in a Fund could lose money as a result of their investment.**

Risks of the Funds

Each Fund is subject to certain risks as set forth in detail in such Fund's PPM. These risks are summarized below.

Risks Applicable to All Funds:

Importance of Management

The General Partner or Board of Directors of a Fund, as applicable, either directly or via Sandalwood (such Fund's "Management") has complete discretion in investing a Fund's assets through the selection of Underlying Managers. Such Fund's success depends, to a great extent, on Management's ability to select successful Underlying Managers and the manner in which the Fund's assets are allocated among the Underlying Managers selected. As some Series only have a single Underlying Manager, loss of a key person at that underlying manager can have a negative impact on the investments with that Underlying Manager.

Lack of Direct Control

A Fund's Management does not make trading decisions itself, but rather entrusts all trading decisions to the Underlying Managers. In so doing, such Fund is dependent upon the integrity, skill and judgment of its Underlying Managers. Although each Funds' Management endeavors to conduct reasonable due diligence before investing with an Underlying Manager, there can be no assurance of a profit or that the Underlying Manager will act in an ethical manner. However, by actively monitoring the Underlying Managers, Management may be able to promptly detect any problems which may arise.

A Fund's Management will endeavor to select Underlying Managers based upon a detailed evaluation of each Underlying Manager's past performance, however, there can be no assurances that an Underlying Manager's future results will be as successful as his past performance. Moreover, even where an Underlying Manager has achieved excellent results over an extended period, because of cyclical movements and volatility, period to period results may differ materially. Accordingly, each Fund's Management believes that an investment in such Fund is suitable only for those investors who intend to make a long-term investment in the Fund.

Some of the Underlying Managers to whom a Fund may allocate capital may consist of only one principal. If that individual dies or becomes incapacitated, the Fund might be adversely affected.

Investors May Not Participate in Management

Investors in a Fund will have no authority to make decisions or to participate in the management of or exercise business discretion with respect to such Fund. The authority to make all business decisions is entrusted to the complete discretion of such Fund's Management.

Absence of Regulation

Each Fund qualifies for an exemption from the requirement of registering as an investment company under the Investment Company Act. As a result, certain protections of the Investment Company Act will not be afforded to the Funds or its Investors.

Performance Fees Payable to Underlying Managers; Layering of Fees

The fee arrangements with Underlying Managers generally provide that the Underlying Manager will receive a minimum fee calculated as a percentage of assets under management and the Underlying Manager may also benefit from appreciation, including unrealized appreciation, in the value of the account or fund being managed, but may not be penalized for realized losses or decreases in the value of the account or fund. Generally, the Underlying Manager's compensation is determined separately for each year, but when possible, agreements are obtained to carry forward losses to subsequent years in determining incentive fees or allocations for such years. Such incentive arrangements may give the Underlying Managers an incentive to make purchases that are unduly risky or more speculative than would be the case in the absence of such incentive arrangements. Also, incentive fees or allocations may be paid or made to Underlying Managers that show a net profit, even though a Fund, as a whole, incurs a net loss. In most cases, the performance allocation to the Underlying Manager is equal to 20% of the net gain for each accounting period.

In addition to the fees or allocations that are paid or made to the Underlying Managers, a Fund's Management receives an annual fee equal to one and one-half (1.5%) percent per annum of the net asset value of the applicable Fund series. Such fees are paid on a monthly basis regardless of the profitability of a Fund's operations. The separate fees payable to a Fund's Management will result in a layering of fees which will reduce the yield which Investors will derive from such Fund's investments.

All of the compensation described in this section will ultimately be calculated based on the valuation of portfolio assets established by the Underlying Managers. As most of the assets in the Funds are Level 2 and Level 3 assets, valuing the assets can be difficult as they have no easily determinable market value or may not have comparable assets to use to value the assets. In valuing such assets, the Underlying Managers will have broad discretion to establish "fair value" based upon representative bids received from dealers, recent sales of similar securities, and pricing models. The Underlying Managers must exercise judgment in establishing values and even if done in good faith, such values may turn out to have been inaccurate.

Short Selling

Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss.

Hedging

A Fund's Underlying Managers may engage in a variety of hedging transactions. There is a risk that price movements on the instrument used to create the hedge may not correspond to price movements in the security against which the Underlying Manager is using the instruments.

Purchases of Securities and Other Obligations of Financially Distressed Companies

Underlying Managers may purchase primarily equity and debt securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial, or at times even total, losses. Under such circumstances, the returns generated from a Fund's investments may not compensate the Investors in such Fund adequately for the risks assumed.

In the event that an Underlying Manager acquires loans and other assets that are distressed or non performing, it may be necessary for the Underlying Manager to restructure the obligation, or foreclose on a mortgage or security interest and sell the collateral in order to realize value. There are a variety of risks associated with such strategy including (i) an inability to successfully restructure the loan or other obligation, (ii) even if restructured, the obligor's financial condition may continue to worsen, leading to a new default on the restructured obligation, (iii) litigation risks, and (iv) bankruptcy risks, including unpredictability, delays and costs associated with a bankruptcy.

The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may be necessary for some of the assets acquired by an Underlying Manager to be held for a significant period of time in order to realize a profit.

Securities issued by distressed companies may have a limited trading market, resulting in limited liquidity and may be difficult to value.

Calculation of Gain and Loss

The determination of net gain and net loss for any accounting period includes unrealized gains and losses. As a result of subsequent market movements, actual gains and losses may differ materially from the unrealized gains and losses reflected in a Fund's financial statements at the end of any accounting period.

Moreover, Sandalwood must generally rely on the valuation of portfolio assets established by Underlying Managers with little or no ability to verify those valuations. Many of the investments held by underlying funds will not be traded on an exchange and will have a limited market for resale. In valuing such instruments, the Underlying Managers will have broad discretion to establish "fair value" based upon representative bids received from dealers, recent sales of similar securities, and pricing models. The Underlying Managers must exercise judgment in establishing values and, even if done in good faith, such values may turn out to have been inaccurate.

Liquidity and Transferability of Fund Interests

An investment in a Fund involves limited liquidity and Fund interests are not freely transferable. There is no market for the securities issued by a Fund (“Interests”) and none is expected to develop. Investors thus may not be able to liquidate their investment in the event of any emergency, or for any other reason. In addition, Interests may not be readily accepted as collateral for a loan.

A Fund’s ability to satisfy withdrawal requests is largely contingent on its ability to withdraw assets from the Underlying Managers in which it invests. The process of withdrawing from such Underlying Managers may be both lengthy and costly due to any withdrawal restrictions imposed by such Underlying Managers.

None of the Interests are registered under the Securities Act or under state securities laws. Interests, therefore, cannot be transferred unless they are subsequently registered under such Act and laws or an exemption from such registration is available.

Due Diligence in Underlying Manager Selection Process

Each Fund will conduct due diligence which a Fund’s Management believes is reasonable to select Underlying Managers in which to invest the Fund’s assets. A Fund may rely upon representations made by the Underlying Managers and/or investment consultants which, if misleading, incomplete, or false, may result in the selection of Underlying Managers which might otherwise have been eliminated from consideration. No amount of diligence can eliminate the possibility that one or more Underlying Manager(s) may engage in improper or fraudulent conduct, including unauthorized changes in investment strategy, misappropriation of assets and unsupportable valuations of portfolio securities.

Market Risks

The profitability of a significant portion of a Fund’s investment program may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that an Underlying Manager will be able to predict those price movements accurately.

Non-U.S. Investments

An Underlying Manager may invest in non-U.S. securities denominated in non-U.S. currencies and/or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property, including trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, impositions of exchange control regulation, withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, and economic or political instability in foreign nations.

An Underlying Manager may utilize currency forward contracts and options thereon to hedge against currency fluctuations. Forward and “cash” trading is not standardized and is substantially unregulated; there is no limitation on daily price movements and speculative position

limits are not applicable. Forward markets can experience long periods of illiquidity, resulting in major losses. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. In respect of such trading, a fund is subject to the risk of counterparty failure or refusal to perform contractual obligations.

General Economic Conditions

The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equities and interest-sensitive securities. Unexpected volatility or illiquidity in the markets in which a Fund (directly or indirectly) holds positions could impair such Fund's ability to carry on its business or cause it to incur losses.

Possible Adverse Tax Consequences

The primary objective of a Fund is to achieve economic gain on investments made with the Fund's capital, not to minimize taxes payable by Investors. A tax-exempt entity should note, in particular, that certain strategies employed by Underlying Managers could result in a portion of the entity's share of a Fund's income and gain being subjected to the special tax imposed on the entity's unrelated business taxable income.

Changes or modifications in existing judicial decisions or in the current positions of the Internal Revenue Service ("IRS") and the passage of new legislation, could substantially reduce, eliminate or modify a Fund's tax treatment.

Volatility of Financial Markets; Risks of Certain Investment Strategies

Recently, the financial markets have been exceptionally volatile. If an Underlying Manager's evaluation of an investment opportunity should prove incorrect, a Fund could experience losses as a result of a decline in the market value of securities in which an Underlying Manager holds a long position, or an increase in the value of securities in which an Underlying Manager holds a short position. An Underlying Manager's investment programs may utilize such investment techniques as margin transactions, short sales, leverage, and options on securities and futures, potentially exposing a Fund to greater losses than it would otherwise be subject.

Special Investment and Trading Risks

Special risks may be associated with a Fund's investments in hedge funds that invest in the debt securities, rescue financings and post-reorganization securities of financially troubled companies. Such securities may offer higher yields than higher rated securities, but generally involve greater volatility of price and risk of principal and income, including the possibility of default by, or bankruptcy of, the issuers of the securities. In addition, the markets for such securities may be limited.

Interest Rate Risk

Because some Underlying Managers may invest in fixed rate bonds, such investments will

be subject to interest rate risk. An increase in interest rates will generally result in a reduction in the value of the bonds.

Credit Risk

An issuer or obligor may default in the payment of principal and/or interest on an instrument. Credit risk may change over the life of an instrument and securities or loans may be subject to downgrade by a rating agency. Even if a bond is not in default, a downgrade could have a significant negative impact on the value and liquidity of the bond.

Commissions

Portfolio transactions are allocated to brokers by each Underlying Manager or, in the case of an Underling Manager who is also a broker-dealer, may be executed in-house. Underlying Managers may select brokers in consideration of such brokers' provision or payment of the costs of property and services which are of benefit to them, although such services may not directly relate to any transactions which benefit the Fund.

Business, Legal, Tax and other Regulatory Risks

Legal, tax, and regulatory changes, as well as judicial decisions, could adversely affect Sandalwood, a General Partner or a Fund. The regulatory environment for private investment funds continues to evolve, and changes in the regulation of private investment funds may adversely affect the value of a Fund's investments and the ability of a Fund to implement its investment strategy (including the use of leverage). Various U.S. federal and state regulators are authorized to take extraordinary actions in the event of market emergencies. Alternative U.S. or non-U.S. rules or legislation regulating a Fund may be adopted, and the possible scope of any rules or legislation is unknown.

Futures Contracts

A Fund may invest a portion of its assets with Underlying Managers that invest in commodity interests, such as commodity futures and options. Commodity futures prices and commodity options can be highly volatile. Price movements of futures contracts and options are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies and national and international political and economic events. Moreover, commodity exchanges generally limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit.

Illiquid Portfolio Securities

To the extent that Underlying Managers have deemed a portion of their assets as illiquid and such assets have been "side-pocketed" such that no gain or loss on the investment is allocated to the asset until the asset has been sold or has otherwise become readily marketable, a Fund's Management may be unable to determine the market price of those assets. In such event, the Fund's

Management may rely on the Underlying Managers' valuation of such assets. To the extent that side pocketed investments are valued at cost, the values assigned to such investments may not accurately reflect the amount that could be realized if such investments were sold. Therefore, at the time an Investor invests in a Fund, that Fund's net asset value may not accurately reflect the true value of side pocketed investments because such investments are being valued at cost. Similarly, the withdrawal proceeds an Investor receives upon withdrawal from the Fund may be higher or lower than the true value of such Investor's interest because the investments of some Underlying Managers are being carried at cost.

Reserve for Contingent Liabilities

Under certain circumstances, a Fund's Management may find it necessary upon withdrawal by an Investor to set up a reserve for contingent liabilities and to withhold a certain portion of the Investor's capital account. Similar provisions may be contained in the partnership agreements for limited partnerships in which a Fund may invest. These provisions could be activated if a Fund or one of the Underlying Managers were involved in litigation or became subject to an audit by the IRS.

Counterparty Risk

The institutions (such as brokerage firms and banks) with which a Fund may do business, or to whom instruments may be entrusted for custodial purposes, could encounter financial difficulties. This could impair the operational capabilities or the capital position of a Fund or an entity in which it has invested. Despite its efforts to limit its transactions to well-capitalized and established banks and brokerage firms, a Fund cannot control the institutions selected by the Underlying Managers.

Risks Applicable to Certain Funds:

Leverage

Underlying Managers may, in the sole discretion of such Underlying Manager, borrow without limitation and may utilize various lines of credit, repurchase agreements and other forms of leverage. Also, with respect to certain Funds, a General Partner is authorized to leverage a Fund or Series' assets when it believes it would be desirable to do so in order to enhance returns or obtain liquidity. While leverage presents opportunities for increasing the total returns, it has the effect of potentially increasing losses as well. Any event which adversely affects the value of an investment by an Underlying Manager would be magnified to the extent the Underlying Manager is leveraged. The cumulative effect of the use of leverage by an Underlying Manager in a market that moves adversely to such Underlying Manager's investments could result in a substantial loss to the Underlying Manager, which would be greater than if the Underlying Manager was not leveraged. In addition, borrowings will typically be secured by the Underlying Manager's or the relevant Fund's or Series' securities and other assets. If an Underlying Manager's losses were to exceed the amount of capital invested, an Investor could lose its entire investment.

Event Driven Investing; Merger Arbitrage

A Fund may utilize Underlying Managers that invest in merger arbitrage or other high risk investments. The ability to profit from these investments may often depend upon factors that are

intrinsic to the particular issuer, rather than the market as a whole. Appreciation in the value of such securities may be contingent upon the occurrence of certain events, such as a successful reorganization or merger, not the actual value of the company. If the expected event does not occur, the hedge fund may incur a loss on the position.

Arbitrage Risk

Some Underlying Managers may engage in arbitrage strategies, particularly convertible arbitrage and capital structure arbitrage. Arbitrage strategies involving related assets carry the risk that the value of the related assets will not track or affect each other in the manner anticipated by the Underlying Manager. Arbitrage strategies generally assume the price of related assets will converge to some historic or quantitative relationship, and that price discrepancies from this relationship will disappear. In the event the price discrepancies do not disappear or if the price discrepancies increase, the Underlying Manager could lose money on an arbitrage trade.

Asset-Backed Securities

The Underlying Managers may invest in asset-backed securities (“ABS”), such as residential mortgage-backed securities, commercial mortgage-backed securities and collateralized debt obligations, or synthetic securities (including credit default swap transactions) with respect to which the reference obligations are ABS (“CDS Transactions”). ABS are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from, among others, (a) a specified pool of financial assets, either a fixed pool or a revolving pool, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to the holders of such securities or (b) real estate mortgage loans, either a fixed pool or a revolving pool, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities.

ABS carry coupons that can be fixed or floating. The spread will vary depending on the credit quality of the underlying collateral, the degree and nature of credit enhancement and the degree of variability in the cash flows emanating from the securitized assets. In the event that spreads on ABS widen after acquisition by an Underlying Manager, the market value of such ABS is likely to decline and, in the case of a substantial spread widening, could decline by a substantial amount.

ABS often use various forms of credit enhancements to transform the risk-return profile of the underlying collateral and to attempt to minimize the exposure of ABS to credit losses on the underlying collateral, including over-collateralization, senior-subordinate structures, reserve accounts and third-party credit enhancements. The rating of a third-party credit enhancement provider may affect the ratings of the ABS. If an ABS trust enters into any third-party credit enhancement arrangement, the rating agencies that rate the trust’s ABS will consider the provisions of the arrangement and the rating of any third-party credit enhancement provider. If a rating agency downgrades the debt rating of any third-party credit enhancement provider, it is also likely to downgrade the rating of the ABS. Any downgrade in the rating of the ABS could have severe adverse consequences on their liquidity or market value.

All or most of the ABS that an Underlying Manager may invest in are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest

in the same pool of assets. In addition, many of the transactions have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets.

Prepayment risk on ABS arises from the uncertainty of the timing of payments of principal on the underlying securitized assets. The assets underlying a particular ABS may be paid more quickly than anticipated, resulting in payments of principal on the related ABS sooner than expected. Alternatively, amortization may take place more slowly than anticipated, resulting in payments of principal on the related ABS later than expected. In addition, a particular ABS may, by its terms, be subject to redemption prior to its maturity, resulting in a full or partial payment of principal in respect of such ABS. Similarly, defaults on the underlying securitized assets may lead to sales or liquidations and result in a prepayment of such ABS.

If an Underlying Manager purchases a security at a premium, a prepayment rate that is faster than expected may result in a lower than expected yield to maturity on such security. Alternatively, if the Underlying Manager purchases a security at a discount, slower than expected prepayments may result in a lower than expected yield to maturity on such security.

ABS backed by consumer receivables such as student loans, automobile loans and leases and credit card receivables are subject to risks related to changes in various federal and state laws and regulations aimed at protecting consumers.

Changes to federal or state bankruptcy or debtor relief laws could also impede collection efforts or alter timing and amount of collections, which may result in acceleration of or reduction in payment on the ABS. If an obligor sought protection under federal or state bankruptcy or debtor relief laws, a court could reduce or discharge completely the obligor's obligations to repay amounts due on its receivable.

Options Trading

Some of the Underlying Managers may engage in options trading as a part of their investment program. Options' trading increases the possibilities of gain and the risk of loss. Although expected to represent a small portion of a Fund's capital, the use of option transactions may increase the adverse impact to which its portfolio may be subject if the Underlying Managers' evaluation of the various factors involved in particular securities transactions is incorrect.

Purchasing Initial Public Offerings

Underlying Managers may purchase securities of companies in initial public offerings of any equity security ("new issues") or shortly thereafter. Special risks associated with these securities may include a limited number of interests available for trading, unseasoned trading, lack of investor knowledge of the company, and limited operating history. These factors may contribute to substantial price volatility for the interests of these companies and, thus, a Fund's interests.

Value Investing

A Fund may utilize Underlying Managers and Underlying Funds that engage in value investing. The success of a value investment strategy depends on an Underlying Manager's ability

to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such discrepancies involve uncertainty. There can be no assurance that an Underlying Manager will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. In the event that the perceived mis-pricings underlying an Underlying Fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by an Underlying Manager, the Underlying Fund (and consequently, the Fund) may incur losses. An Underlying Manager's value investment strategy may result in high portfolio turnover and, consequently, high transaction costs.

Limited Operating History

Certain Fund Series have a limited operating history. Sandalwood does, however, presently serve as investment manager to other Fund Series that do have operating histories.

Limited Geographic Scope

Certain Fund Series invest in debt to real estate investors and developers within a limited geographic area. Should that geographic area be subject to a significant destructive event, such as a major weather event or a terrorist attack, the funds invested with that Underlying Manager could suffer significant losses.

Limited Number of Underlying Managers

While many of the Series of the Funds are invested with 3-5 Underlying Managers, some Series are invested with only one Underlying Manager. As such, there is a greater risk of loss as all funds are invested with one Underlying Manager rather than having the risk spread through 3-5 Underlying Managers.

Regulatory Risk Related to Loans

While the regulatory market has been stricter on commercial loans, should regulations change that would loosen the requirements to qualify for commercial loans, some of the Underlying Managers may have difficulty finding investments that meet their investment strategy, or could be forced to offer terms that are not as favorable to the Underlying Manager as anticipated at the creation of the Series. This could result in a loss for that particular Underlying Manager, and if it was a Series with a single Underlying Manager, could result in a loss of capital investment for the Series.

Force Majeure Risk

This is the risk that there may be an act of God, terrorist act, global health pandemic, failure of utilities or other similar circumstance not within the reasonable control of Sandalwood that may have an unknown and potentially catastrophic effect on the global markets.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN INVESTING IN A FUND. PROSPECTIVE INVESTORS SHOULD READ A FUND'S ENTIRE PPM, PARTICULARLY THE SECTION ENTITLED "RISK FACTORS," BEFORE DETERMINING TO INVEST IN A FUND.

DISCIPLINARY INFORMATION

Sandalwood has had no disciplinary events in the last ten years that are required to be disclosed in response to this item.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

An affiliate of Sandalwood serves as the general partner or managing member of each Fund organized as a limited partnership or limited liability company, respectively (each, a “General Partner”). Each General Partner, with respect to the Funds it manages, and Sandalwood, with respect to the segregated portfolios of the Offshore Fund (for which it serves as investment adviser) has either: (i) filed with the National Futures Association a claim for exemption from commodity pool operator registration with the Commodity Futures Trading Commission (“CFTC”) pursuant to CFTC Rule 4.13(a)(3) with respect to the Funds it manages; or (ii) filed to perfect the no-action relief provided by the Division of Swap Dealer and Intermediary Oversight of the CFTC as permitted by CFTC Letter No. 12-38 with respect to the Funds it manages.

Because the General Partners and Sandalwood are affiliated, there exists a potential disincentive for Sandalwood to be replaced, even if such an action is in the best interests of a Fund. Moreover, the fees paid by a General Partner to Sandalwood and expenses required to be reimbursed by a Fund are paid pursuant to agreements negotiated between affiliated parties and therefore have not been established in an arm’s length transaction.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Advisory Persons are, to the extent applicable, subject to the provisions of Sandalwood's Code of Ethics (the "Sandalwood Code"). You may obtain a copy of the Sandalwood Code upon request. The Sandalwood Code is designed to comply with Advisers Act Rule 204A-1.

Through implementation of the Sandalwood Code, Sandalwood seeks to ensure that personal trading activities of Access Persons do not conflict with the interests of Sandalwood clients. Consequently, Sandalwood has adopted policies and procedures designed to ensure that such trading (i) complies with Sandalwood's legal and fiduciary obligations; (ii) is properly recorded in Sandalwood's books and records and (iii) is subject to the review and oversight of Sandalwood's Chief Compliance Officer (the "CCO").

In addition to these personal securities transaction reporting obligations, the following is a general synopsis of the provisions that are included in the Sandalwood Code:

- Pre-clearance of IPOs and Limited Offerings. Access Persons must obtain pre-clearance from Sandalwood's CCO prior to investing in an Initial Public Offering ("IPO") or limited offering. Access Persons who are permitted to acquire securities in IPOs and limited offerings must disclose their interests when involved in considering an investment in such securities for a client account.
- Gifts. The Code prohibits the giving or receipt of gifts in violation of Sandalwood's Gift Policy, which generally prohibits giving or receiving gifts of other than a strictly nominal value or in certain other circumstances.
- Conflicts of Interest. Access Persons must provide disinterested advice and disclose relevant conflicts of interest, whether actual or potential.
- Fair Treatment. Access Persons must avoid taking any action which would favor one client account or investor or group of client accounts or investors over another in violation of Sandalwood's fiduciary duties and applicable law.
- Outside Activities. Access Persons are subject to limitations on their outside activities, including directorships.

- Disclosure of Brokerage Accounts. Access Persons must disclose to the CCO any brokerage accounts.
- Reporting Violations. Sandalwood personnel are required to inform the CCO promptly if they believe that a violation of the Code has taken place.
- Notifications and Certifications. The CCO provides notice to all Access Persons of their status under the Sandalwood Code and, on an annual basis, distributes the Sandalwood Code to all covered personnel.
- Violations and Sanctions. Persons who violate the Sandalwood Code may be subject to disgorgement of gains, or other penalties up to and including termination of employment. Sanctions may also include: verbal or written warnings and censures and monetary penalties.

Review of Code Reports and Potential Violations. Reports required to be submitted pursuant to the Sandalwood Code are reviewed by the CCO on a periodic basis.

Personal Trading/Cross-Trades

From time to time, family members, family partnerships and other entities controlled by Mr. Gross or affiliated with Mr. Gross may invest in a Fund, and such affiliates may invest directly with an Underlying Manager.

BROKERAGE PRACTICES

Best Execution

Sandalwood does not currently execute trades in dealer or auction markets (or in any secondary markets). As a result, issues relating to “best execution” will not normally be relevant to Sandalwood’s business. However, should Sandalwood engage in trading that would require it to consider best execution requirements, Sandalwood will consider the full range and quality of a broker’s services in placing brokerage, including, among other things, the commission rate, execution capacity, financial responsibility, and the responsiveness of the broker or dealer. In general, Sandalwood will be guided by the principle that “best execution represents the best qualitative execution” for the trade.

Sandalwood has not entered into any agreements, nor does it have any present understandings, with any Underlying Manager that would require the Underlying Manager to use any particular broker to effect trades for the Underlying Manager.

REVIEW OF ACCOUNTS

Review of Accounts

The Funds are reviewed on an ongoing basis. Periodic reports and statements with respect to the Funds are reviewed periodically by an investment committee (the “Investment Committee”) for compliance with the investment objective and strategies set forth in such fund’s offering document (the “Portfolio Policies”), fund performance, industry weightings, cash and other relevant items. The CCO, as a member of the Investment Committee and as part of the regular meetings of the Investment Committee, will periodically review Sandalwood accounts with the Investment Committee to ensure compliance with the Portfolio Policies.

Generally, the Investment Committee meets on a monthly basis to discuss specific manager and portfolio actions. The Investment Committee is comprised of several members including the President, who serves as the Investment Committee Chairman, the Director of Manager Research, the Director of Operational Due Diligence and the Chief Compliance Officer. The Director of Operational Due Diligence has a veto right for operational issues associated with an Underlying Manager.

Sandalwood also engages in initial and periodic ongoing due diligence reviews of each Underlying Manager for the Funds, as described in the section of this Brochure entitled “Methods of Analysis, Investment Strategies and Risk of Loss”.

Reports to Investors

Each Fund’s financial statements are audited at the end of each fiscal year by an independent certified public accountant and copies of the certified financial statements will be made available to each Investor in such Fund, along with appropriate income tax information. Unaudited monthly performance information with respect to a Fund is also provided to Investors in such Fund.

CLIENT REFERRALS AND OTHER COMPENSATION

Each Fund's PPM reserves the right for such Fund to utilize placement agents to sell its interests. Sandalwood currently maintains relationships with several independent and unaffiliated investment advisers who introduce their clients to Sandalwood. Sandalwood may share a portion of its management fees received with respect to such clients with the referring adviser. All such fee sharing arrangements are fully disclosed to the affected Investor.

In addition, Sandalwood has entered into placement agreements with several registered broker dealers. Under the terms of such agreements, the broker dealer is authorized to sell interests in the Sandalwood Funds to Investors whom the broker dealer believes are eligible to invest in the particular fund. All selling activity pursuant to any such agreement must be conducted in accordance with relevant private placement rules. Placement agents are compensated through the payment by Sandalwood of a portion of the Management Fees it receives in respect of Investors introduced by the Placement Agent. No additional fees are paid by Investors as a result of the use of a placement agent. All compensation arrangements are fully disclosed to affected Investors.

Such fees are paid in accordance with the requirements of Rule 206(4)-3 of the Advisers Act, and any corresponding state securities laws or requirements and are paid solely from Sandalwood's fees and not from Fund assets. Unless approved by the CCO, Sandalwood may only enter into distribution, placement or referral arrangements with third parties that are properly registered as broker-dealers.

CUSTODY

Because Sandalwood (or an affiliate) serves as general partner of those Funds organized as limited partnerships, Sandalwood is deemed to have “custody” over such Funds within the meaning of Rule 206(4)-2 under the Advisers Act. To comply with this Rule, Sandalwood provides each Investor in a Fund audited financial statements as soon as practicable following such Fund’s fiscal year end, within 180 days of the end of such year.

Citibank, N.A. currently serves as custodian for the Sandalwood Master Fund, LLC, where substantially all the Fund’s assets of which are held by registering the ownership of each Underlying Fund with Citibank, N.A. as custodian for the benefit of the Sandalwood Master Fund, LLC.

INVESTMENT DISCRETION

Investors in the Funds will have no authority to make decisions or to participate in the management of or exercise business discretion with respect to a Fund, as applicable. The authority to make all business decisions (including, most importantly, the selection of portfolio managers for a Fund, is entrusted to the complete discretion of Sandalwood (and such Fund's General Partner, in the case of the Partnerships). Accordingly, no person should invest in a Fund unless he or she is willing to entrust all aspects of the management of the Fund to Sandalwood and such Fund's General Partner, in the case of the Partnerships.

Each Fund has entered into a Management Agreement with Sandalwood pursuant to which certain management services are performed by Sandalwood on behalf of the Fund's Management.

VOTING CLIENT SECURITIES

As a manager of funds of funds, Sandalwood typically does not have discretion to vote proxies solicited by issuers held indirectly through an Underlying Manager. In the unusual circumstance where a proxy vote were to be solicited by an Underlying Manager, Sandalwood would vote in what it believes is the best interests of the Investors of such Fund, unless Sandalwood believes there is a conflict between its interests and those of Investors, in which case, Sandalwood would take appropriate steps to address the conflict.

FINANCIAL INFORMATION

Sandalwood currently has no material financial impairment and has not filed a bankruptcy petition during the previous ten years.