

**Item 1 – Cover Page**

**Carl Marks Management Company, LLC**

**(Form ADV Part 2A)**

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**December 31, 2013**

This brochure provides information about the qualifications and business practices of Carl Marks Management Company, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 909-8400. 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.

Carl Marks Management Company, LLC is a SEC Registered Investment Adviser however registration does not imply any level of skill or training.

Additional information about Carl Marks Management Company, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Since our last filing on December 31, 2012, we have made the following material change to our Form ADV Part 2A:

- Our Form ADV Part 2A has been revised to reflect the increase in Carl Marks Management Company, LLC's portfolio management services from two private investment partnerships to three private investment partnerships. Carl Marks Strategic Opportunities Fund II, L.P. was organized on December 5, 2012 as a limited partnership and commenced operations on February 1, 2013.

Our brochure may be requested by contacting Maria Rios, Controller at (212) 909-8442 or [mrrios@carlmarks.com](mailto:mrrios@carlmarks.com).

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#### **Item 4 – Advisory Business**

Carl Marks Management Company, LLC (“CMMC”), a Delaware limited liability company was formed in 1987 as Carl Marks Management Company, L.P. and converted into a limited liability company on March 28, 2006. CMMC is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 and is an investment adviser, on a discretionary basis, to investment partnerships. CMMC specializes in analyzing and investing in companies contemplating or undergoing reorganization proceedings or major financial restructurings or recapitalizations, or which are emerging from such proceedings or transactions.

CMMC’s owners are its managing members, Andrew M. Boas, Robert C. Ruocco and James F. Wilson.

CMMC does not tailor its advisory services to the individual needs of clients and clients may not impose restrictions on investing in certain securities or types of securities.

As of December 31, 2013, CMMC manages \$409,957,739 of client assets on a discretionary basis and manages no client assets on a non-discretionary basis.

#### **Item 5 – Fees and Compensation**

We offer services on a fee-only basis. The fees paid by clients consist of two components: one based on performance and the other based on a percentage of assets under management. The performance fee generally equals 20% per annum of the net profit, including unrealized appreciation, in a client’s account, as determined in accordance with the limited partnership agreements of the clients. Such fees and allocations are generally determined over a minimum period of one year, are payable annually, deducted from the clients’ accounts, and require that the clients recover any prior period losses before a performance fee or allocation may be paid for the current year.

The asset based fees are normally charged at an annual rate of between 1% and 1.5% of the value of the client’s net assets under management. Such fee is typically payable quarterly, either in arrears or advance depending upon the advisory agreement. Management fees are prorated for capital contributions and withdrawals made during the applicable calendar quarter.

In certain circumstances, fees may be individually negotiated by partnership investors. Negotiated fees may be lower than those set forth above.

CMMC may use other advisers to manage a small portion of fund assets. As a result, fund investors' will pay their proportionate share of other advisers' management and performance fees.

As it considers appropriate, CMMC may invest cash balances in advisory accounts in one or more money market funds unaffiliated with CMMC. When money market funds are utilized, a client will be paying, in addition to the investment management fee of CMMC, the client's proportionate share of the management fee charged by the money market fund manager to the fund. CMMC intends to utilize money market funds only where such funds are regarded as a more appropriate use of temporary cash than direct investment in short-term cash equivalent instruments.

**Note:** Investors should refer to each fund's Offering Memorandum, Subscription Agreements and other offering documents for additional/supplemental information regarding the fund as well as fees and expenses associated with such fund.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

As indicated in Item 5, clients are charged performance based fees.

Performance-based fees may create an incentive to make investments that are riskier or more speculative than would be the case in the absence of such allocation. Also, since the incentive allocation is based on both realized and unrealized appreciation of assets, the incentive allocation may be greater than if such allocation was based solely on realized appreciation.

#### **Item 7 – Types of Clients**

CMMC currently provides portfolio management services to three private investment partnerships, Carl Marks Strategic Investments, LP ("CMSI"), Carl Marks Strategic Opportunities Fund, LP ("CMSO") and Carl Marks Strategic Opportunities Fund II, L.P. ("CMSO II"). The limited partners of CMSI, CMSO and CMSO II are high net worth individuals, pension and profit sharing plans and institutional investors, such as foundations, endowments, private investment funds and trusts. CMMC does not render advice to investors with respect to their decision to invest in CMSI, CMSO or CMSO II.

CMMC admits limited partners to its investment partnerships, CMSI, CMSO and CMSO II, subject to such partners meeting suitability standards, including status as “accredited investors” within the meaning of Regulation D under the Securities Act of 1933 and “qualified clients” within the meaning of the Advisors Act. The minimum investment of a limited partner in CMSI, CMSO or CMSO II is \$5 million, unless waived by CMMC. CMMC is not currently offering additional interests in any of its investment partnerships.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Although CMMC utilizes financial information, reports and data from various external sources, including financial publications, reports, prospectuses and filings with the SEC and other publicly available information, its investment decision-making is based primarily upon its internal research and analytical capabilities, including the substantial investment management experience and expertise of its principals. CMMC utilizes fundamental, technical and cyclical analysis to identify investment opportunities. CMMC also receives research and market information from Bloomberg and Capital IQ.

CMMC, through all of its investment partnerships, seeks to realize long term capital appreciation by acquiring the senior debt instruments of companies in financial distress or that require financial restructuring. We generally seek to establish sufficiently large positions to influence or to participate actively in the restructuring process with the objective of significantly reducing the debt and owning substantial equity interests upon completion of any financial restructuring. We intend to remain actively involved in portfolio companies until such time as the positions are eventually sold.

From time to time, CMMC through its investment partnership's, may invest in assets in restricted securities of various operating companies, including companies which may be engaged in various real estate, manufacturing or service businesses, to the extent consistent with the investment objectives of the client and any applicable account restrictions. These securities may include capital stock, debt, hybrid securities and partnership and limited liability company interests.

Investing in securities involves risk of loss that clients should be prepared to bear. Identification and use of many or all of the trading strategies CMMC hopes to deploy involve a high degree of uncertainty. There can be no assurance that CMMC will be able to identify and or successfully take advantage of suitable investment opportunities for the investment partnerships' capital, which may potentially reduce their return due to excess capital or lead to (possibly material) losses due to changes in the investment partnership's risk parameters in order to deploy capital.

The fact that certain of the companies in whose securities CMMC's investment partnership's may invest are in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation, means that their securities are likely to be particularly risky investments. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry, or specific developments within such companies.

All investments involve the risk of loss, including (among other things) loss of principal and a reduction in earnings (interest/dividends). These risks include market risk, interest rate risk, issuer/counterparty risk and general economic risk. Investors should be prepared to bear the risk of loss.

#### **Item 9 – Disciplinary Information**

CMMC has no information applicable to this Item.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

One of the principals of CMMC is affiliated with Carl Marks Securities LLC ("CMS"). CMS has a broker-dealer license limited to the private placement of securities. CMMC does not utilize CMS for any client transactions.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

CMMC has adopted a Code of Ethics to guide the actions of its employees, officers and directors (“Associates”). It is the policy of the firm to establish such procedures and guidelines to avoid potential conflicts of interest or even the appearance of such conflicts. The interests of the clients are paramount and all Associates must conduct themselves and their operations to give maximum effect to placing the interest of clients before their own. The Code of Ethics includes provisions relating to prohibition against fraud, deceit and manipulation, guidelines for purchase and sales of securities by Associates, restrictions on acceptance of large gifts and confidentiality of information among other things. Associates are required to report any violation of the code to our Chief Compliance Officer. Failure to comply with the provisions of the Code is a ground for disciplinary action, including discharge, by the firm.

CMMC’s Code of Ethics policy will be provided to any client or prospective client upon request by contacting Maria Rios.

Associates are subject to certain restrictions and obligations with respect to personal securities transactions. All security transactions must be pre-approved. In addition, Associates will not be permitted to purchase or sell securities during any period in which securities are under consideration for purchase or sale for any client account, or until at least three days after the completion of any buy or sell program in an individual security for any client account. Moreover, all securities transactions by employees and employees of affiliates, including the general partners, and other access persons must be reported to the Compliance Officer and are subject to post-transaction review in order to assure compliance with CMMC’s internal procedures. CMMC requires, as part of its Code of Ethics, that each employee and employees of affiliates certify in writing that such employee has fully and accurately reported to and provided the Compliance Officer with statements for such employee’s personal securities accounts that contain securities in which such employee holds any direct or indirect beneficial interest.

CMMC also has in place written procedures to prevent the misuse by employees or other access persons of confidential or material non-public information concerning portfolio companies and other issuers.

## **Item 12 – Brokerage Practices**

We select brokers for the execution of securities transactions for clients primarily on the basis of execution skills, including the ability to achieve prompt and reliable executions at favorable prices, the competitiveness of commission rates in comparison with other brokers satisfying our overall selection criteria, the overall direct net economic result to clients' assets, the operational efficiency with which transactions are effected, the financial strength, integrity and stability of the broker, the ability to effect the transaction where a large block of other complicating factors are involved, and the availability of the broker to execute possible difficult transactions in the future.

In choosing a broker-dealer for the execution of securities transactions, a primary consideration is brokerage commission rates. However, while brokerage commission rates are expected to be competitive, the Company will not necessarily seek the lowest commission. The Company will select broker-dealers based on the best qualitative execution provided by broker-dealers, after evaluation the factors referenced above in the preceding paragraph.

As a matter of policy, CMMC does not engage in any "soft dollar" arrangements with brokers.

In the case of securities that are not generally available (e.g. distressed debt offered by a specific bank or broker-dealer) the above criteria may not be relevant in the selection of a bank or broker, as the case may be. In such cases, the relevant consideration for broker-dealer or bank selection is the investment opportunity with respect to the specific security offered by such broker or bank.

Investment ideas generated by CMMC come from a variety of sources: brokers, bankers, attorneys, accountants and other contacts. Much more pertinent is credit and recapitalization analysis. There is very little reliance upon third party research. Rather, the managing members rely primarily upon source documents, such as SEC filings, regulatory reports, credit documentation, industry association data, government compiled statistics, and information provided directly by prospective portfolio companies.

CMMC currently has a brokerage agreement with Boenning and Scattergood, Inc. (Boenning") and JP Morgan ("JPM") whereby they both furnish certain standard brokerage services including consolidated reporting of trading activity, portfolio analyses and account statements and other brokerage services. CMMC believes the commissions and other charges of Boenning and JPM compare favorable with those charged by other firms for

brokerage services as well as for comparable transactions generally with institutional clients.

### **Item 13 – Review of Accounts**

At least one managing member of CMMC reviews all investment partnership accounts on a daily basis. The three managing members of CMMC, Messrs. Boas, Ruocco and Wilson, together, further review all accounts not less frequently than weekly.

Accounts managed by CMMC receive duplicate transaction confirmations from CMMC on a daily basis, monthly portfolio reports, regular reports on securities held and other information, including rate of return, and other information required under specific management agreements or as requested by the client.

The limited partners of CMSI, CMSO and CMSO II receive monthly performance results, quarterly letters describing quarterly results, significant changes in the portfolio and other information, as well as year end audited financial statements and tax reporting information.

The administrator for the Carl Marks Strategic Opportunities Fund II, L.P. is SS&C Technologies, Inc.

### **Item 14 – Client Referrals and Other Compensation**

We do not receive any economic benefit from non-clients in connection with giving advice to clients.

From time to time CMMC may enter into solicitation arrangements with third parties. These third parties introduce prospective investors to the advisor for its funds for which the advisor receives management and performance fees. The solicitor receives compensation based on a percentage of the management fee earned by the advisor. There are no conflicts that arise from any of these arrangements.

### **Item 15 – Custody**

CMMC has custody of the bank accounts and securities of its clients and reconciles cash balances on a daily basis and security balances on a monthly basis to statements received

from its qualified custodians. The limited partners of CMSI, CMSO and CMSO II receive monthly account balance information, including performance results.

#### **Item 16 – Investment Discretion**

We provide portfolio management services on a discretionary basis. We recognize the importance of the principle of fair and equal treatment of our clients and their portfolios. Specifically, this principle is not to be influenced by any consideration for differences, if any, in fee arrangements, size of account etc. We recognize that there is significant commonality of ownership in the individual securities that are owned by our clients. We maintain investment parameters, allocation parameters and compliance requirements for each client. Investment discretion is typically defined in detail in the specific advisory agreement for each client.

#### **Item 17 – Voting Client Securities**

CMMC's proxy voting policies and procedures are designed to ensure that CMMC complies with the requirements under Rule 206(4)-6 and Rule 204-2 promulgated under the Investment Advisers Act of 1940, as amended, and fulfills its obligations thereunder with respect to proxy voting, disclosure, and recordkeeping.

CMMC's objective is to ensure that its proxy voting activities on behalf of its clients are conducted in a manner consistent, under all circumstances, with the best interest of the clients. CMMC believes that the voting of proxies is an important part of portfolio management for its clients as it provides the client the opportunity to be heard and influence the direction of a company. While voting decisions must be made on a case-by-case basis, CMMC has established general guidelines for voting.

The managing member(s) (or other principal(s)) of CMMC will have the responsibility of voting proxies received by CMMC on behalf of its clients. Each proxy proposal received by CMMC will be reviewed and evaluated by CMMC. Proxy proposals received by CMMC and designated in the proxy voting policies as "For" or "Against" will be voted by CMMC in accordance with the proxy voting policies. Proxy proposals received by CMMC and designated in the proxy voting policies as "Fact Sensitive" (or not addressed in the proxy voting policies) will be thoroughly reviewed by CMMC in order to ensure that such proxy is

voted in the best interests of the client. In accordance with Rule 204-2, CMMC will document the basis for its voting decisions.

Notwithstanding the foregoing, CMMC may vote a proxy contrary to the proxy voting guidelines if CMMC determines that such action is in the best interest of the client. In the event that CMMC votes contrary to the proxy voting guidelines, CMMC will document the basis for its contrary voting decision.

In addition, CMMC may choose not to vote proxies in certain situations or for certain clients, such as (i) where a client has informed CMMC that it wishes to retain the right to vote the proxy, (ii) where CMMC deems the cost of voting would exceed any anticipated benefit to the client, (iii) where the proxy is received for a client account that has been terminated, or (iv) where a proxy is received by CMMC for a security it no longer manages on behalf of a client.

CMMC may occasionally be subject to material conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. CMMC its affiliates and/or its employees may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships.

If at anytime, CMMC becomes aware of a material conflict of interest relating to a particular proxy proposal, it will handle the proposal as follows:

- If the proposal is designated in proxy voting policies above as “For” or “Against,” the proposal will be voted by CMMC in accordance with the proxy voting policies, provided little discretion on the part of CMMC is involved; or
- If the proposal is designated in the proxy voting policies above as “Fact Sensitive” (or not addressed in the proxy voting policies), CMMC will either (i) disclose to the client such material conflict and vote the client’s shares in accordance with the client’s instructions or (ii) take such other action as is necessary to ensure that CMMC’s vote (including the decision whether to vote) is based on the client’s best interest and not affected by CMMC’s material conflict of interest.

In accordance with Rule 204-2, CMMC will maintain the following records in connection with its proxy voting policies and procedures:

- a copy of the proxy voting policies and procedures;
- a copy of all proxy statements received regarding client’s securities;
- a record of each vote CMMC cast on behalf of a client;
- written records of client requests for proxy voting information, including a copy of each written client request for information on how CMMC voted proxies on behalf of the requesting client, and a copy of any written response by CMMC to any

(written or oral) client request for information on how CMMC voted proxies on behalf of the requesting client; and

- any documents prepared by CMMC that were material to making a decision on how to vote, or that memorialized the basis for a voting decision.

Each of the foregoing records will be maintained by the advisor. Notwithstanding the foregoing, CMMC may rely on proxy statements filed on the SEC's EDGAR system instead of keeping its own copies. In addition, CMMC may also rely upon a third party to maintain the foregoing records, provided such third party has provided to CMMC an undertaking to provide a copy of such records promptly upon request.

A copy of CMMC's written proxy voting policies and procedures will be provided to clients upon written request to CMMC. In addition, information regarding how a client's proxies were voted by CMMC will be provided to a client upon written request to CMMC.

#### **Item 18 – Financial Information**

We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.