



GarMark Advisors II L.L.C.

## GarMark Advisors II L.L.C.

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## FORM ADV PART 2A

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**This brochure provides information about the qualifications and business practices of GarMark Advisors II L.L.C.. If you have any questions about the contents of this brochure, please contact us at (203) 325-8500 or [rshaykin@garmark.com](mailto:rshaykin@garmark.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 GarMark Advisors II L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM II. MATERIAL CHANGES

This is the initial filing of Form ADV-2A for GarMark Advisors II L.L.C..

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## ITEM IV. ADVISORY BUSINESS

### Structure: History and Ownership

GarMark Advisors II L.L.C. (“GarMark”) is the adviser to GarMark Associates II, L.L.C., the general partner of GarMark Partners II, L.P., a mezzanine and corporate opportunity investment fund. GarMark’s principal place of business is Stamford, CT. GarMark Advisors II L.L.C. will be referred to in this brochure as “GarMark” or the “Firm.”

The Firm is organized as a Delaware limited liability company. GarMark commenced business in 2005 and this is our initial filing of Form ADV-2 as part of our registration as an investment adviser with the Securities and Exchange Commission (“SEC”). The Firm currently has 13 employees, 10 of whom are investment and financial professionals. The Firm is owned by the two Managing Principals, E. Garrett Bewkes III and Steven C. Pickhardt (the “Principals”).

### Types of Advisory Services

GarMark provides investment advisory services to GarMark Associates II L.L.C., the general partner of GarMark Partners II, L.P., a Delaware limited partnership (referred to in this brochure as the “Fund”).

The Fund makes mezzanine and structured equity investments in predominantly private companies that we believe present attractive risk-reward profiles and combine the opportunity for high current income with capital appreciation. GarMark's investment model seeks to generate attractive returns with lower risk than competing private equity strategies. The detailed terms applicable to investors in the Fund are described in the Fund's organizational documents and Offering Memorandum.

GarMark employs a flexible investment approach that seeks to generate attractive total and risk-adjusted returns for our investors. As part of this strategy, the Firm is opportunistic in identifying transactions requiring mezzanine and structured equity capital. Investments made by the Fund can be expected to include change of control transactions alongside management and/or private equity sponsors, as well as transactions requiring growth capital, special situations, recapitalizations, refinancings and turnarounds. In reviewing potential investments, we consider key company characteristics including strength and experience of management, corporate market share, cash flow, growth prospects, multiple exit opportunities, and obsolescence risk. While pursuing a credit-based investment strategy that is intended to protect overall principal across the Fund portfolio, GarMark also considers investment opportunities involving smaller companies where the risk and reward relationship is deemed attractive.

The investment strategy that is employed on behalf of the Fund is described in greater detail below in Item 8 and in the offering documents of the Fund.

### **Assets Under Management**

GarMark's total estimated assets under management as of December 31, 2011 is approximately \$376,000,000.

## **ITEM V. FEES AND COMPENSATION**

### **Fees**

Detailed information regarding fees is included in the Fund's Private Placement Memorandum. Because this brochure will only be delivered to qualified purchasers as defined in section 2(a)(51) of the Investment Company Act of 1940, a complete description of our compensation arrangements is not required to be included in this brochure.

### **Expenses**

The Fund pays, or reimburses GarMark for, all operating expenses and other costs of the Fund that GarMark is not required to bear including, but not limited to:

- fees and expenses of professional advisors, consultants, attorneys and auditors,
- expenses associated with the fund's financial statements, reports and any required tax returns, statements and filings,
- all out-of-pocket costs and expenses incurred in developing, negotiating, structuring, acquiring, holding and disposing of portfolio investments held by the Fund, including any financing, legal, accounting, research, advisory and consulting costs and expenses (to the extent the fund is not reimbursed for such costs and expenses by portfolio companies or other third parties), including any broken deal expenses,
- brokerage commissions and other investment costs actually incurred in connection with portfolio investments,
- interest on and fees and expenses arising out of all borrowings made by the Fund, including, but not limited to, the arranging thereof,

- the costs of any litigation, D&O liability or other insurance covering any indemnified party and indemnification or extraordinary expense or liability relating to the affairs of the Fund,
- expenses of liquidating the Fund,
- any taxes, fees or other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund, and
- expenses of the Fund's Advisory Committee

## ITEM VI. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

GarMark receives part of its compensation from the Fund in the form of a performance-based fee. We do not advise any clients that do not pay performance-based compensation.

## ITEM VII. TYPES OF CLIENTS

The Firm provides investment advice to the Fund. The types of investors in the Fund typically include pension and retirement plans, insurance companies, financial institutions, foundations, trusts and estates, high net worth individuals, family offices and other entities.

The minimum Fund commitment is \$5.0 million, subject to lesser amounts being accepted at the discretion of the General Partner.

## ITEM VIII. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Methods of Analysis and Investment Strategies

#### Investment Strategy

GarMark employs a strategy of making mezzanine and structured equity investments in predominately private companies that we believe present attractive risk-reward profiles and combine the opportunity for high current income with capital appreciation. Because a significant portion of such investments' return is contractual, overall investment performance is expected to be less reliant on market conditions, M&A activity and exit multiple expansion. Moreover, most of our investments have some form of seniority over other layers of debt or equity in the capital structure, providing more downside protection than traditional private equity investments.

Our investment strategy inherently involves certain significant risks. There can be no assurance that our investment objective will be realized or that any investment will be profitable in the future. See the section titled "Risks Associated with Our Investment Strategy" below.

#### Investments

We select investments from a wide universe of companies across multiple industries and geographic regions. Opportunities are originated by the Firm or sourced through the Firm's broad network of relationships. The Firm

employs a flexible investment approach that seeks to generate attractive total and risk-adjusted returns for its investors. In implementing this strategy, we are opportunistic in identifying transactions requiring mezzanine and structured equity capital. Investments may include, among others, change of control transactions involving management teams and private equity sponsors, as well as transactions requiring growth capital, special situations, recapitalizations, refinancings and turnarounds.

In reviewing potential investments, the Firm considers key company characteristics including strength and experience of management, corporate market share, cash flow, growth prospects, multiple exit opportunities, and obsolescence risk. The Firm does not adopt a sector focus in the investment of capital, as we seek to construct a portfolio that is diversified by industry. In constructing an overall portfolio, we consider investments in companies and industries where we believe attractive appreciation can be obtained with managed risk which may include, in certain cases, employing a contrarian investment approach. Investments for the Fund may be made either in public or private securities with a focus on generating attractive total and risk-adjusted returns.

### Investment Techniques

We employ a broad variety of investment techniques in furtherance of our investment strategy.

***Analysis and Due Diligence*** – We believe that employing a rigorous credit-oriented investment process is essential to delivering attractive total returns. The foundation of this analysis typically involves a detailed review of historical and projected financial results, meetings with management to discuss business process and strategy, discussions with equity sponsors where appropriate, a review of the industry, a valuation of the enterprise, and detailed cash flow modeling. In situations where we deem it necessary, we use outside consultants to assist in the due diligence process, either for financial, business or industry analysis. In some cases, our investment may be made alongside an equity sponsor who performs similar due diligence. Where appropriate, we review the work product and analysis prepared by these other parties, which can then be taken into account in our deliberative process. As a small firm, we operate in a highly consultative fashion. Transactions typically have at least two team members involved in the due diligence process, with an investment memorandum being prepared and circulated within the Firm to outline investment considerations and risks. We encourage broad internal participation in the investment discussion and analysis process to take full advantage of the complementary skills and background possessed by our investment professionals.

***Structuring and Documentation*** – Because most of our investments are highly customized, we spend considerable time in the structuring and documentation of new investments. Unlike common equity or public high yield debt, investments made by the Firm typically contain detailed covenants and terms that are negotiated in an effort to enhance downside protection. Examples include limitations on debt incurrence, junior payments, asset sales, acquisitions, capital expenditures, affiliated transactions, as well as covenants setting forth minimum levels of required financial performance that must be maintained. A detailed covenant package helps serve as an early warning sign for problems and can give the Firm the contractual basis to take the necessary steps to seek to protect its investment in a portfolio company. These steps may include restructuring the terms of an investment or working with equity sponsors and management to inject fresh capital. The proper structuring of covenants and investment terms can materially improve ultimate recovery of value in the event of underperformance by a portfolio company. In many cases, investments will have a significant cushion of invested capital or enterprise value that ranks junior to our investment at closing. In our structured equity investments, we will frequently negotiate special voting rights with regard to material corporate transactions.

***Active Post-Investment Management*** – We believe we add significant value to our portfolio through active post-investment management. This process begins with negotiating appropriate covenants and reporting requirements in the documentation of investments. The Firm typically receives financial reporting on a monthly or quarterly basis, with investment performance discussed internally on a regular basis among the Firm's Principals. On individual investments, the Firm maintains an ongoing dialogue with management, sponsors, co-investors, and senior lenders, with particular focus placed on underperforming companies. We also frequently participate at the board level of our portfolio companies. Because the Principals of the Firm have broad experience that includes advisory expertise as well as principal experience at all levels of the capital structure, the Firm is able to play a greater role with management and with sponsors on acquisitions, financing opportunities, and exit strategies. We believe our

experience also gives the Firm credibility with other constituencies, particularly senior lenders, in situations where the Firm acts as the sponsor.

### **Risks Associated with Our Investment Strategy**

Mezzanine and structured equity investments involve a high degree of risk with no certainty of any return of capital. Although mezzanine securities are typically senior to common stock and other equity securities in the capital structure, they may be subordinated to large amounts of senior debt and are usually unsecured. All or a significant portion of senior indebtedness may be secured. Highly leveraged portfolio companies are intrinsically more sensitive to declines in revenues and to increases in interest rates and other expenses. Portfolio companies may face intense competition, changing business and economic conditions, or other developments which may adversely affect their performance. The ability of the Fund to influence a company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. Accordingly, the Fund may not be able to take the steps necessary to protect its investments in a timely manner or at all. In addition, the debt securities in which the Fund invests may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and are typically not rated by a credit rating agency. There can be no assurance that a portfolio company will generate sufficient cash necessary to service its debt obligations and, in any such case, the Fund may suffer a partial or total loss of invested capital. The Fund's investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Fund earlier than expected. In addition, depending on fluctuations of the equity markets, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that the Fund's rate of return objectives will be realized. The Fund is intended for long-term investors who can accept the risks associated with investing primarily in illiquid, privately negotiated mezzanine and structured equity securities. The possibility of partial or total loss of fund capital exists and investors must be able to bear the consequences of such loss.

Material risks involved in the strategy are described below:

#### Competitive Mezzanine Environment

The success of the Fund depends on the ability of GarMark to originate, recommend, structure, identify and consummate suitable investments in a highly competitive environment, in certain cases, to improve the operating performance of portfolio companies, and to dispose of the investments of the Fund at a profit. The activity of identifying, completing and realizing attractive mezzanine investments involves a significant degree of uncertainty, and the Fund competes with the public debt and equity markets and with other investors, including other mezzanine funds, private equity funds, direct investment firms and merchant banks, for investment opportunities. There can be no assurance that the Fund will be able to locate and complete investments that satisfy its rate of return objectives or realize upon their values or that it will be able to invest fully the Fund's commitments.

#### Lack of Diversification and Reliance on Management

The Fund invests in a limited number of investments. Therefore, the aggregate return of the Fund may be adversely affected by the negative performance of a relatively few investments. Specifically, in the event of a loss of capital invested in a portfolio company, the current income and capital appreciation from the Fund's other investments may not equal the loss recognized by the Fund from the failed investment. Furthermore, the Fund does not have fixed guidelines for diversification by industry, and investments may be concentrated in only a few industries. Although the Principals of GarMark monitor the performance of each portfolio company, it is primarily the responsibility of the company management to operate a portfolio company on a day-to-day basis and there is no assurance that such management will be able to operate the portfolio company in accordance with the Fund's expectations. In addition, although the Fund generally intends to invest in established businesses, certain of the Fund's investments may be in businesses with limited operating history.

### Risks Upon Disposition of Investments

In connection with the disposition of an investment in a portfolio company, the Fund may be required to make representations about the business and financial affairs of a portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. The Fund also may be required to indemnify the purchasers of such investments or underwriters, to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities for the Fund. The limited partnership agreement of the Fund contains provisions to the effect that an investor may be required to return distributions received from the Fund for purposes of meeting its ratable share of the Fund's indemnity or other obligations in an amount not exceeding the aggregate amount of distributions actually received by such investor.

### Illiquid and Long-Term Investments

Although most investments by the Fund are expected to generate current income, some investments may take several years from the initial investment date to reach a state of maturity when realization can be achieved. Factors such as overall economic conditions, the competitive environment, and the availability of potential purchasers of the securities, may shorten or lengthen the Fund's holding period. In some cases, an investment may have a contractual return that is not paid entirely in cash, but rather is paid partially or wholly in-kind or as an accreting liquidation preference, thus lengthening the time before cash is received which may be distributed to investors and increasing the Fund's risk exposure to the portfolio company. In addition, there can be no assurance that the distributions, if any, from the Fund to investors will be sufficient to cover any investor's tax obligations arising from its allocable share of taxable income of the Fund. It is anticipated that there will not be a public market for all or a substantial portion of the securities held by the Fund at the time of their acquisition. The Fund will generally not be able to sell its securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases, the Fund may be prohibited by contract from selling certain securities for a period of time.

### Follow-on Investments

The Fund may be called upon to provide additional funding to, or have the opportunity to increase its investment in, its portfolio companies. There can be no assurance that the Fund will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision not to make a follow-on investment or the inability of the Fund to make such an investment may have a substantial negative impact on a portfolio company in need of such an investment and may diminish the Fund's ability to influence the portfolio company's future development.

### Non-Controlling Investments

The Fund will generally hold a non-controlling interest in portfolio companies and, therefore, may have to rely solely on contractual covenants to protect its position in such portfolio companies.

### Foreign Investments

Investments in certain foreign capital markets and securities involve risks and special considerations not typically associated with investing in the more developed and established U.S. capital markets and securities, including risks relating to: (i) currency exchange, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Fund's foreign investments may be denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including greater potential price fluctuations and market volatility in (and relative illiquidity of) some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation which may result in lower quality information being available about a non-U.S. company than a U.S. company; (iii) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risk of political, economic, or social instability, including war and the possibility of expropriation or confiscatory taxation; (iv) the possible imposition of foreign taxes on income and gains recognized with respect to such securities; (v) dependence on exports and the corresponding importance of international trade;



(vi) higher rates of inflation; (vii) governmental involvement in and control over the economies; (viii) governmental decisions to discontinue support of economic reform programs generally and to impose centrally planned economics; (ix) less extensive regulation of the securities markets; (x) longer settlement periods for securities transactions; and (xi) less developed corporate laws regarding fiduciary duties and the protection of investors. While the Principals of GarMark intend, where appropriate, to manage the Fund in a manner that will minimize exposure to the foregoing risks, there can be no assurance that developments with respect to such risks and others will not adversely affect the assets of the Fund that are held in certain countries. The Fund, however, will invest no more than 25% of the total commitments for the Fund in investments outside of the United States.

### Financial Market Fluctuations

General fluctuations in the market prices of securities may affect the value of the investments held by the Fund. Instability in the securities markets may also increase the risk inherent in the Fund's investments. The ability of portfolio companies to refinance or redeem mezzanine and structured equity securities held by the Fund may depend on their ability to sell new securities in the public high yield debt market or otherwise.

### Interest Rate Fluctuations

General interest rate fluctuations may have a substantial negative impact on the Fund's investments and investment opportunities and, accordingly, may have a material adverse effect on the Fund's investment objectives and the rate of return on invested capital. In addition, an increase in interest rates would make it more expensive for portfolio companies to finance operations and indirectly affect the credit quality of the Fund's investments.

### Operating and Financial Risks of Portfolio Companies

One of the fundamental risks associated with the Fund's investments is credit risk, which is the risk that an issuer will be unable to make principal and interest payments when due. While the Fund generally targets investing in credit-worthy companies, these companies could still present a high degree of business and credit risk. Companies in which the Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. As a result, companies which the Fund expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise be in a weakening financial condition or be experiencing financial distress. The companies in which the Fund invests may be highly leveraged. Leverage may have important consequences to these companies and the Fund as an investor. These companies may be subject to restrictive financial and operating covenants. The leverage may impair the ability of these companies to finance their future operations and capital needs. As a result, these companies may not have the flexibility to respond to changing business and economic conditions and business opportunities may be limited. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. The leveraged capital structure of such companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the financial condition of the company or its industry. A portfolio company's failure to satisfy covenants in its loan documents could lead to default and possible termination of its loans and foreclosure on its secured assets which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the securities held by the Fund. The Fund may incur expenses if it is required to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, even though the Fund's investment in a portfolio company entering bankruptcy proceedings may have been structured as senior debt, it is possible that a bankruptcy court would re-characterize the Fund's position as equity and subordinate the Fund's claims to the claims of other creditors. When successful, a portfolio company may pay the principal on an obligation held by the Fund earlier than expected. This may happen when there is a decline in interest rates. Early repayments of the Fund's investments may have a material adverse effect on the Fund's investment objectives and the rate of return on invested capital. To address this risk, the Partnership seeks to negotiate prohibitions on prepayment for a period of years and/or a call premium to be paid by the issuer if it prepays the security in the first few years after issuance. In addition, portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel.



### Subordination

The investments of the Fund are typically subordinated to the senior obligations of an issuer, either contractually (in the case of debt securities) or because of the nature of the security (in the case of preferred stock, common stock, or holding company debt). Such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer or in general economic conditions (or both) may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on and declines in the value of such securities more quickly than in the case of the senior obligations of such issuer.

### No Assurance of Investment Return

GarMark cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that the Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There can be no assurance that any investors will receive any distribution from the Fund. Accordingly, an investment in the Fund should only be considered by persons who can afford a loss of their entire investment. Past activities of investment entities associated with the GarMark or its Principals provide no assurance of future success.

### Investment in Restructurings and Reorganizations

The Fund may make investments in restructurings which involve companies that are experiencing or are expected to experience severe financial difficulties. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. As such, these investments could subject the Fund to certain additional potential liabilities that may exceed the value of the Fund's original investment therein. For instance, under certain circumstances, payments to the Fund (and distributions by the Fund to the investors) may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the court's discretionary power to disallow, subordinate or disenfranchise particular claims.

### Bridge Investments

The Fund may provide bridge financing in connection with one or more of its investments. While such securities are outstanding, the Fund will bear the risk of changes in the capital markets that may adversely affect the ability of a portfolio company to refinance bridge investments. If the portfolio company is unable to complete a refinancing of the bridge loan, for example, the Fund could have a long-term investment in a junior security or that junior security might be converted to equity.

### Diverse Investor Group

The investors may have conflicting investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing and disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by GarMark, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Fund, GarMark considers the investment and tax objectives of the Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

### Risk Arising from Exercise of VCOC Management Rights

The Fund endeavors to structure its investments so that it will qualify as a “venture capital operating company” (a “VCOC”) within the meaning of regulations promulgated under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). This requires that the Fund obtain directly and by contract the rights to participate substantially in, and to influence substantially the conduct of the management of, a majority (valued at cost) of the Fund’s investments. The Fund will often have the right to designate one or, occasionally, more directors to serve on the boards of directors of portfolio companies and/or will receive observer rights on such boards. The designation of representatives and other measures contemplated could expose the assets of the Fund to claims by a portfolio company, its security holders and its creditors, including claims that the Fund is a controlling person and thus is liable for securities laws violations of such portfolio company. While GarMark seeks to manage the Fund in a way that will minimize the exposure to any such risks, the possibility of successful claims cannot be precluded.

## ITEM IX. DISCIPLINARY INFORMATION

There are no legal or disciplinary events that require disclosure.

## ITEM X. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Principals are not currently spending time on active investment vehicles other than the Fund and managing the wind down of GarMark’s first fund through the GarMark Partners, L.P. Liquidating Trust. Either or both of the Principals may, in the future, determine to engage in other business activities to which they devote a significant portion of their time, including the management of, or provision of other services to, other investment vehicles.

## ITEM XI. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### **Code of Ethics**

GarMark has established a Code of Ethics (“Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The purpose of the Code is to identify the ethical and legal framework in which our personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding our standard of business conduct. Maintaining a spirit of openness, honesty and integrity are of paramount importance at the Firm. GarMark believes that its employees should feel comfortable expressing their opinions and should be vigilant about alerting senior management of anything they deem amiss with respect to our business, operations or compliance. The description below is a summary only. A complete copy of the Code will be provided to clients and prospective clients upon request.

**Fiduciary Duty and Standard of Business Conduct.** It is the responsibility of all GarMark employees to ensure that the Firm conducts its business with the highest level of ethical standards and in keeping with our fiduciary duties to our clients. Employees have a duty to place the interests of our clients first and to refrain from having outside interests that conflict with the interests of our clients. As a fiduciary, the Firm is required to act with more than honesty and good faith alone. We have an affirmative duty to act with loyalty, impartiality and prudence and in the best interests of our clients. Firm employees must avoid any circumstances that might adversely affect, or appear to affect, their duty of complete loyalty to our clients.

**Conflicts of Interest.** As a fiduciary, we have an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of our clients. We seek to avoid conflicts of interest and to fully disclose all material facts concerning any conflict of interest that may arise with respect to any client. We take a conservative approach and impose a high standard on our personnel. Employees must disclose any potential or actual conflicts of interest when dealing with clients.

**Insider Trading.** Our personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of our personnel and extends to their activities both within and outside their duties at the Firm. We have also implemented policies and procedures designed to detect and prevent insider trading.

**Personal Securities Transactions.** All personnel must comply with our Personal Account Trading Policy, which provides that investments in initial public offerings or private placements must be pre-approved by our Chief Compliance Officer (“CCO”).

**Service as a Director.** None of our personnel may serve as a director of a publicly-held company without prior approval by the Principals and the CCO based upon a determination that service as a director would not be adverse to the interest of any of our clients.

**Reporting of Violations.** Our personnel are required to report any violation, apparent violation or potential violation of the Code to the CCO.

**Review and Enforcement.** The CCO is responsible for ensuring adequate supervision over the activities of all persons who act on our behalf in order to prevent and detect violations of the Code by such persons.

## ITEM XII. BROKERAGE PRACTICES

Because of the nature of the Fund’s investment program, we do not use or recommend broker-dealers.

## ITEM XIII. REVIEW OF ACCOUNTS

### Reports to Partners.

Within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Fund, and within 90 days after the end of each fiscal year of the Fund (subject in both cases to reasonable delays in the event of the late receipt of any necessary financial statements from any portfolio company), the Fund’s general partner sends to each investor during such period the following GAAP based financial statements for the Fund:

- a balance sheet as of the end of such period,
- a statement of income or loss and a statement of partners’ capital for such period,
- a statement of cash flows,
- a statement of changes in partners’ equity,
- a schedule of changes in capital account balances by partner;

- a schedule and summary description of each portfolio investment owned by the Fund as of the end of such fiscal quarter or fiscal year, as the case may be, including each partner's allocation in each portfolio investment; and
- in the case of an annual report with respect to any fiscal year, an opinion of a nationally recognized accounting firm, based upon their audit of the financial statements referred to above.

Annual Fund financial statements are prepared by a nationally recognized accounting firm, while interim quarterly statements are prepared internally by GarMark. With reasonable promptness, the Firm also delivers such other information available, including financial statements and computations, as any investor may from time to time reasonably request in order to comply with regulatory requirements, including reporting requirements, to which such investor is subject.

## ITEM XIV. CLIENT REFERRALS AND OTHER COMPENSATION

This item is not applicable.

## ITEM XV. CUSTODY

This item is not applicable.

## ITEM XVI. INVESTMENT DISCRETION

GarMark has broad investment discretion over the Fund's assets within the strategy described in Item 8.

## ITEM XVII. VOTING CLIENT SECURITIES

We have adopted a Proxy Voting Policy designed to ensure that the Firm complies with the requirements of Rule 206(4)-6 and Rule 204-2 promulgated pursuant to the Investment Advisers Act of 1940, as amended, and fulfills its obligation thereunder with respect to proxy voting, disclosure and recordkeeping. Because of the nature of the Firm's investment advisory activities, it is unlikely that the Firm will be in a position to vote proxies on behalf of any of its clients. In the event that the Firm is in a position to do so, the Firm'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. If we determine that the Firm has, or may be perceived to have, a conflict of interest when voting a proxy, we will address matters involving such conflicts of interest on a case-by-case basis.

Investors may obtain a copy of our Proxy Voting Policies and Procedures, and information regarding how we voted particular proxies on behalf of the accounts, on request.

At present the Fund holds no public securities.

## ITEM XVIII. FINANCIAL INFORMATION

This item is not applicable.