

# 325 Fillmore LLC

## Part 2A of Form ADV The Brochure

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This disclosure brochure provides information about the qualifications and business practices of 325 Fillmore, LLC and its affiliates (“325 Fillmore”, “we” or “us”). If you have questions about the contents of this brochure, please contact us at 303-398-2929 or by email at info@ap-am.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 325 Fillmore is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

325 Fillmore is a registered adviser with the United States Securities and Exchange Commission and conducts itself accordingly. Such registration requires that we conduct our business in accordance with the Investment Advisers Act of 1940 (the “Adviser Act”) but does not require specific professional financial training or exams or imply a certain level of skill or training.

## **Item 2: Material Changes**

This section summarizes material changes made to this brochure since the date of our last filing.

Since our last annual update, dated March 29, 2019, we have made no material changes.

325 Fillmore provides a copy of its brochure to its clients annually and to prospective clients upon request, free of charge. 325 Fillmore's brochure may be requested by contacting 325 Fillmore at (303) 398-2929.

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## **Item 4: Advisory Business**

325 Fillmore is a Delaware limited liability company, founded in 2017. 325 Fillmore was formed in January 2017 to meet the requirement of the “risk retention” rules promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub.L. 111-203, H.R. 4137, (“Dodd-Frank Act”). The European Union has issued regulations regarding risk retention in securitized assets (“EU Risk Retention Rules”). 325 Fillmore will act as collateral Manager and “risk retention holder” for CLOs it intends to structure and manage in such manner as to comply with the Dodd-Frank Act risk retention rules and the EU Risk Retention Rules noted above.

325 Fillmore is wholly owned by RR 325, LP, a Delaware limited partnership. GP RR 325, LLC, a Delaware limited liability corporation serves as the general partner for RR 325, LP. ArrowMark Colorado Holdings LLC (“ArrowMark”) and THB Iron Rose, LLC are co-owners of RR 325, LP.

325 Fillmore will act as collateral manager for CLOs and will not have any other client types. 325 Fillmore will accept any investment restrictions requested by or required by a CLO and will provide discretionary investment management services to CLOs. 325 Fillmore will provide discretionary “investment supervisory services” to CLOs, which are privately placed offshore funds (having Delaware domiciled co-issuers) investing in loan and debt instruments. Each CLO will have its own investment requirements, guidelines and investment restrictions, as provided in the program documents for each CLO. 325 Fillmore currently has a total of \$2,157,000,000 of assets under management as of February 29, 2020.

## **Item 5: Fees and Compensation**

As compensation for its investment advisory services, 325 Fillmore may receive, as specified by the Collateral Management Agreements of all CLO’s, a Senior Investment Management Fee, a Subordinated Investment Management Fee and an Investment Manager Incentive Fee Amount based on a percentage of client assets under management (“AUM”). Typically, 325 Fillmore will charge a Base or Senior Investment Management Fee at a rate ranging from 0.10% to 0.20% per annum of the client assets managed, while a Subordinated Management Fee may be paid at a rate ranging from 0.05% to 0.25% per annum of the AUM. The percentages may vary based on arms-length negotiations with each CLO that 325 Fillmore manages. 325 Fillmore may also be entitled to an Investment Manager Incentive Fee Amount. Specific fee rates and the methodology for calculating these fees will be described in the Collateral Management Agreement for each CLO and the relevant program documents which will be provided to prospective investors. Clients-CLOs are not billed directly by 325 Fillmore but by a Fund’s trustee quarterly in arrears as is detailed in the relevant program documents. Fees are deducted by the trustee from client assets and paid to 325 Fillmore.

Fees for special investment advisory services will be charged only when requested by a CLO, provided for in program documents and agreed to by 325 Fillmore.

## **Item 6: Performance Based Fees and Side-by-Side Management**

Pursuant to the program documents for each CLO on a mutually exclusive basis, 325 Fillmore may receive incentive collateral management fees based on a CLO meeting a stated target return. Any incentive collateral management fee will be reflected in the program documents for each CLO managed. CLOs should qualify for exclusion under Rule 205-3 under Section 205 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Incentive fees may present a conflict of interest because there may be an incentive for the investment management team to favor a CLO with an incentive collateral management fee over a CLO without an incentive collateral management fee because of the potential for higher fees. In addition, incentive fees may encourage a manager to take more risks when managing a client’s portfolio. 325 Fillmore will have procedures in place to ensure that trades are allocated fairly among CLOs, including monitoring of allocations by the Treasurer of 325 Fillmore. 325 Fillmore will, in most cases, aggregate transactions on behalf of various CLOs. 325 Fillmore will allocate aggregated transactions to all participating eligible CLOs in a fair and equitable manner consistent with its trade allocation procedures, collateral management obligations and each participating CLO’s investment guidelines. In addition, a portion of the compensation of the investment professionals engaged in the management of CLOs is tied to the performance of all of the accounts they manage.

## **Item 7: Types of Clients**

325 Fillmore will provide collateral management services to CLOs, pursuant to a Collateral Management Agreement entered into with each individual CLO. CLOs are exempt from registration as investment companies pursuant to section 3(c)(7) of the Investment Company Act of 1940, as amended (the “1940 Act”). 325 Fillmore will not have any clients other than CLOs.

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

Investing in securities involves risk of loss that CLOs should be prepared to bear.

Please see the applicable program documents and offering memoranda for specific information regarding each CLO’s investment strategies and risks.

325 Fillmore’s methods of analysis investments include the following:

The CLOs clients of 325 Fillmore are typically restricted to investing in senior secured bank loans and second lien bank loans (hereinafter referred to as “Bank Loans”). Bank Loans are loans made to domestic and foreign corporations by banks and other financial institutions and syndicated by way of assignment to a variety of institutional investors. 325 Fillmore obtains investment opportunities on behalf of its clients from, both, the primary loan syndication market and from the secondary loan market, an over-the-counter market where dealers show offerings of loans by way of email, the Bloomberg Messaging System or by telephonic communication between buyers and sellers.

Primary and secondary investment opportunities are communicated and discussed between a portfolio manager and one of the several investment analysts on the team serving clients of 325 Fillmore. The opportunity is pre-screened for suitability based on the metrics of the opportunity and any prior knowledge 325 Fillmore may have with the specific obligor, management team or financial sponsor. If upon preliminary review the investment is deemed suitable to proceed to a more in-depth credit review, an analyst from the team is assigned to evaluate the investment opportunity.

In the credit review phase, the analyst will review all principle financial statements of the corporate issuer, analyze the major attributes of corporate creditworthiness including the quality and sustainability of cash flow, strategy, competitive landscape and disruptive technologies or strategies which may threaten the obligor's ability to meet payment of principal or interest on a timely basis. The analysis typically includes financial modeling including downside considerations and an evaluation of recovery in the event of default on payment. When possible, analysts attend management presentations or make inquiry of management regarding strategies, business conditions, capital and hiring needs and general conditions faced by the company. The analyst prepares a summary analysis and presents their findings to the investment committee for CLO investments. Analysts recommend that the investment be made or not and stress areas of concern or opportunity. The investment committee will consider all the work the analyst has done, may send the analyst back with additional questions or to address additional concerns, after which the analyst will re-present their findings and recommendation. A unanimous vote of the investment committee must be positively inclined as a prerequisite to investing. If an investment is approved by the investment committee the portfolio management team must assess that the allocation of the investment to the individual portfolios based on issues of diversification, both by individual obligor and by industry concentration, credit rating, expected liquidity of the security in the secondary market, coupon, cash balance, and other technical measures. Post allocation, all investments move into a monitoring phase where the analyst responsible for the industry classification of the company or the initiating analyst will follow and report on the operational and financial performance of the company. Such monitoring includes the updating of financial models, communication with management teams and regular communication of operational and non-standard events to the portfolio management team and to the investment committee. Investments that underperform relative to expectations are reviewed with the investment committee and are then recommended for sale or for additional monitoring by placement on a watch list or special mention list. Watch list and special mention list items are reviewed at least quarterly by way of quarterly meetings to focus specifically on this sub-set of the investment portfolio.

On a weekly basis the entire team meets to review over-all performance of portfolios relative to the many investment constraints they have been designated to follow pursuant to the original program documents of each individual CLO. At this meeting macro-economic conditions and global risks are discussed with the objective of projecting how broader issues may influence over-all portfolio performance. The management of cash and assessment of broader portfolio risks are evaluated and action items are set out to anticipate portfolio needs and progress made on actions set forth in prior portfolio reviews.

## **Item 9: Disciplinary Information**

325 Fillmore and its related individuals have not been involved in any legal or disciplinary events that would be material to a client's or prospective client's evaluation of 325 Fillmore's business, its personnel or the integrity of its management.

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

325 Fillmore and its affiliates are indirectly owned by ArrowMark and Iron Rose Investments. ArrowMark is a registered investment adviser with multiple affiliates. Additional information about these affiliates is available on the SEC's website at [www.adviserinfo.sec.gov/](http://www.adviserinfo.sec.gov/).

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

325 Fillmore has adopted a Code of Ethics that emphasizes a set of high standards of conduct for all of its principals and employees to observe. The Code of Ethics consists of certain core principles including, but not limited to: 1) the interests of clients will be placed ahead of the firm's or any principal's or employee's own investment interests; 2) principals and employees will not take inappropriate advantage of their positions; 3) principals and employees will provide professional investment management advice based upon unbiased independent judgment; and 4) principals and employees will conduct personal trading activities in accordance with established procedures and in compliance with applicable law.

The Code of Ethics places restrictions on principal and employee personal securities transactions and requires principals and employees to obtain prior approval for most personal securities transactions, including IPOs and private placements. The Code of Ethics also requires employees to report their personal securities transactions and holdings.

It is 325 Fillmore's policy not to permit its principals, employees or their immediate family members to benefit from trading done for 325 Fillmore's clients in a manner that would harm clients. However, principals, employees and their family members may own, purchase, and/or sell securities that we purchase or sell for client accounts subject to the personal trading requirements of our Code of Ethics. We believe such a policy creates a commonality of interest between the clients, on the one hand, and our principals and employees, on the other hand. To the extent an employee invests in a security that is held by or recommended to a client, a conflict of interest arises as the reason for making such recommendation to a client could be to benefit the employee (e.g., by increasing the value of the security) rather than it being in the best interest of the client. Policies and procedures are in place to ensure that clients' interests are not disadvantaged by a trade made by an employee and that an employee does not benefit personally from trades undertaken for clients. In particular, 325 Fillmore manages this conflict by pre-approving most personal securities transactions by employees and reviewing personal securities trading reports as provided in the Code of Ethics. In addition, we manage, at no charge, accounts of principals, employees and their families ("Employee-Related Accounts"). For a description of how we allocate investments among our separate accounts, funds and Employee-Related Accounts, please refer to "Brokerage Practices - Aggregation and Allocation of Transactions" in Item 12.

In addition, account clients of ArrowMark may from time to time invest in CLOs managed by us.

325 Fillmore will provide any client or prospective client a copy of the Code of Ethics upon request.

## **Item 12: Brokerage Practices**

325 Fillmore invests in secured bank loans on behalf of its investment clients. While 325 Fillmore has discretionary authority to select brokers to execute client transactions and negotiate commission rates with these executing brokers consistent with our best execution obligations, bank loans typically trade in an “over-the-counter” market where brokerage commissions are imbedded within a bid-offer spread. Additionally, bank loans may have assignment fees associated with the re-assignment of the lending relationship between the obligor to the loan and the holder of the assigned interest in the loan. Such assignment fees, if not waived, are considered as part of commissions to brokers or dealers when trades are executed. It is our policy to attempt to obtain the best net price (including the assessment or waiver of assignment fees) when considering both the execution price and the commission rate paid. Trades are typically executed through either an execution-only brokerage firm, or a full-service brokerage firm. The following factors are considered when selecting a broker: (1) general execution capability; (2) commission rate; (3) operational capability to communicate, clear and settle transactions; (4) expertise in a certain asset class; (5) historical trading experience; (6) integrity of brokerage personnel; (7) quality of research services; and the assessment or waiver of any assignment fees resulting from the re-assignment of the loan. As a result of any of the above factors, a client may pay a higher commission than is available from other brokers.

Client’s transactions are combined when practical in order to obtain a “volume” discounts.

### **Aggregation and Allocation of Transactions**

Although each client’s account is individually managed, we will often purchase and/or sell the same securities for many clients. When possible, we aggregate the same transactions in the same securities for many clients having the same or similar investment objectives and guidelines. Clients in an aggregated transaction each receive the same price per share or unit, and will pay the same commission rate.

If we place more than one order to fill all orders in an aggregated transaction, each client in the aggregated transaction receives the average price paid in all orders placed for clients in the same aggregate transaction in the same security on that day and pays its pro rata share of transaction costs. If we are unable to fill an aggregated transaction completely, but receive a partial fill of an aggregated transaction, we allocate the partially filled transaction pro-ratably based on the full order. Certain clients may not be included in certain aggregated transactions because of cash availability or if the manager determines that such investment is not consistent with such client’s investment objectives and guidelines or the specific investment constraints imposed upon a specific client portfolio pursuant to its program documents. 325 Fillmore receives no additional compensation for such aggregation.



While conflicts may arise in the allocation of investment opportunities among clients, 325 Fillmore's overall objective is to allocate securities in a fair and equitable manner, depending on the particular facts and circumstances and the needs and financial objectives of its various clients, such that allocations are not based upon account performance, applicable fee structures or the appearance of otherwise preferential treatment, and tradable position sizes are retained in each portfolio. Furthermore, 325 Fillmore manages each client account in a personalized manner and considers multiple factors in making allocation decisions including: risk profile, asset exposure, cash availability, current and future liquidity needs, investment objectives and guidelines, current issuer or industry exposure, prior allocations, tax lot matching, option pairing, existing and anticipated market conditions as well as other factors deemed by 325 Fillmore to be appropriate in making investment allocation decisions. Allocation decisions are typically made at the moment an order is placed for a security, unless other considerations, consistent with the policies described here, require a later allocation. 325 Fillmore will seek to allocate investment opportunities believed appropriate for one or more of its clients fairly and equitably over time and consistent with the best interests of all clients involved; however, there can be no assurance that a particular investment opportunity will be allocated in any particular manner.

In the course of providing advisory services, we may simultaneously recommend the sale of a particular security for one account and the purchase of the same security for another account if such recommendations are consistent with each client's investment objectives and guidelines. Therefore, opportunities may arise for us to effect "cross" transactions between client accounts. Consistent with its fiduciary obligations to each client, applicable law, and the requirements of best execution, we may, under such circumstances, arrange to have the purchase and sale transaction effected directly between our clients ("cross transactions"). A cross transaction would be effected on the basis of the current market price of the security or at a price reasonably determined to reflect the fair value of the security. We do not receive compensation (other than our advisory fee), directly or indirectly, for effecting a cross transaction between clients, and accordingly will not be deemed to have acted as a "broker" within the meaning of Section 206(3) of the Advisers Act with respect to the transaction. Since, in such transactions, we represent both client-seller and client-buyer, we may have a conflict of interest.

## **Client Referrals**

325 Fillmore does not compensate any custodian or broker/dealer for referring client accounts nor does it consider, in selecting or recommending broker-dealers, whether 325 Fillmore or a related person receives client referrals from such broker\dealer.

## **Item 13: Review of Accounts**

Clients' investments and portfolios are reviewed by the investment team on an on-going basis and are reviewed as a matter of practice rather than pursuant to any triggering event. The investment team, consisting of our principal portfolio managers (serving as our investment committee) and research analysts, is responsible for such review and meets twice a week. Our investment committee also reviews fundamental investment strategies and monitors overall risk. Reviews of client accounts will also be conducted if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Clients (and investors in the funds) receive account statements directly from their custodian on at least a quarterly basis. We may supplement these custodial statements with reports provided during client meetings or as requested. Investors in the funds also receive annual audited financial statements.

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

We do not pay referral fees in connection with referrals of a client to 325 Fillmore.

Other than soft dollar benefits mentioned in Item 12 above, we do not receive any other economic benefits from non-clients for providing investment advice or other advisory services.

## **Item 15: Custody**

325 Fillmore will not have physical custody of either cash or assets held in a CLO's portfolio. The CLO's cash and assets will be held in an account with a qualified custodian as clearly specified in all CLO program documents.

## **Item 16: Investment Discretion**

325 Fillmore will accept discretionary authority from a CLO at the outset of a collateral management relationship to manage assets in the CLO's account. In all cases, however, such discretion is exercised observing investment limitations and restrictions that are outlined in each CLO's program documents and collateral management agreement. 325 Fillmore has entered into a sub-advisory and service agreement with ArrowMark, LLC to provide investment advisory services among other things.

## **Item 17: Voting Client Securities**

In the unlikely event that a CLO receives a proxy solicitation for an asset held in its portfolio, 325 Fillmore will accept proxy voting responsibility on behalf of a CLO for which it acts as collateral manager. Once 325 Fillmore accepts proxy voting responsibility, the directors of the CLO will be allowed to request to vote its proxies on a particular solicitation and 325 Fillmore will comply with the request. Information regarding 325 Fillmore's proxy voting policy including copies of the policy and information about how 325 Fillmore voted on behalf of a relevant CLO be obtained by contacting the Chief Compliance Officer at (303) 398-2929 or via U.S. mail by writing 325 Fillmore at 100 Fillmore Street, Suite 325, Denver, CO 80206.

## **Item 18: Financial Information**

325 Fillmore has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.